

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**REPORT AND ACCOUNTS**

**31 DECEMBER 2006**

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**Company Registration Number 893081**



**LEIGH'S PAINTS****NOTICE OF MEETING**

Notice is hereby given that the forty first Annual General Meeting of the company will be held at Tower Works, Kestor Street, Bolton, BL2 2AL, on 21 May 2007 for the purpose of transacting the following business

- 1 To receive the Directors' reports and the audited accounts for the year ended 31 December 2006
- 2 To declare dividends
- 3 To re-elect as directors Mr M Snowball and Mrs H R Leigh-Bramwell who retire by rotation
- 4 To re-appoint Wheawill & Sudworth as auditors and to authorise the directors to fix their remuneration
- 5 To transact any other ordinary business

By order of the board



M SNOWBALL

Secretary

21 May 2007

**LEIGH'S PAINTS****COMPANY INFORMATION****Directors**

Mr B H Leigh-Bramwell (Chairman)  
Mrs H R Leigh-Bramwell  
Mr M Snowball  
Mr R I Frost  
Mrs J L Hardyment

**Secretary and registered office**

Mr M Snowball  
Tower Works  
Kestor Street  
Bolton  
BL2 2AL

**Auditors**

Wheawill & Sudworth  
Chartered Accountants  
35 Westgate  
Huddersfield  
HD1 1PA

**Bankers**

National Westminster Bank plc  
24 Deansgate  
Bolton  
BL 1BN

## **LEIGH'S PAINTS**

### **DIRECTORS' REPORT**

**31 DECEMBER 2006**

The directors present their report and accounts for the year ended 31 December 2006

#### **Directors**

The directors who served during the year were

Mr B H Leigh-Bramwell  
 Mrs H R Leigh-Bramwell  
 Mr M Snowball  
 Mr R I Frost  
 Mrs J L Hardyment  
 Mr R L Temple (resigned 1 February 2006)

#### **Directors' responsibilities for preparing the accounts**

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to

- ~ select suitable accounting policies and then apply them consistently;
- ~ make judgments and estimates that are reasonable and prudent,
- ~ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts,
- ~ prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

#### **Directors' interests**

None of the directors held any interest in the share capital of the company or any other group company at any time during the year.

#### **Principal activity**

The group's principal activity during the year was that of paint manufacturing.

## **LEIGH'S PAINTS**

### **DIRECTORS' REPORT (continued)**

**31 DECEMBER 2006**

#### **Business review**

The results for the period are set out in the profit and loss account on page 6

Sales and gross profit for the year increased compared to the previous year as a result of further penetration of the group's core markets. Overall the group reported an operating profit compared to the operating loss reported in the previous year.

The principal risks and uncertainties for the group are continuing raw material availability and price pressures.

#### **Results and dividends**

The group profit for the year, after taxation, amounted to £1,928,128. After the payment of proposed dividends as at 31 December 2005 of £13,997 and the inclusion of other recognised gains for the year of £973,700, the amount of retained profit added to reserves for the year was £2,887,831.

The directors propose the payment of final dividends totalling £513,997 for the year ended 31 December 2006.

#### **Future developments**

The group aims to continually develop its products and services to satisfy its existing customers and secure new customers. The group will continue to look for additional business opportunities so as to maintain its competitive position.

#### **Market value of land and buildings**

In the opinion of the directors, the present value of land and buildings is in excess of the book value at 31 December 2006, however the directors consider that the amount of the excess has no significance as these assets are being retained for the group's continuing trading activities.

#### **Research and development**

The group incurred expenditure on research and development appropriate to its trading activities.

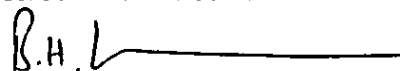
#### **Political and charitable contributions**

The group made charitable contributions totalling £3,018.

#### **Auditors**

A resolution to re-appoint Wheawill & Sudworth as auditors will be put to the shareholders at the Annual General Meeting.

On behalf of the board

  
B H LEIGH-BRAMWELL

Chairman

21 May 2007

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

### LEIGH'S PAINTS

We have audited the accounts of Leigh's Paints for the year ended 31 December 2006 which are set out on pages 6 to 25. The accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31 December 2006 and of the profit of the group for the year then ended, and
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts for the year ended 31 December 2006.

*Wheawill & Sudworth*

WHEAWILL & SUDWORTH

Registered Auditors  
Chartered Accountants

35 Westgate  
Huddersfield  
HD1 1PA  
21 May 2007

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**GROUP PROFIT AND LOSS ACCOUNT**

**31 DECEMBER 2006**

		Year ended 31 December 2006 £	Year ended 31 December 2005 £
Notes			
	<b>Turnover</b>	32,764,474	28,285,844
	Royalties receivable	100,183	111,830
	Change in stocks of finished goods and in work in progress	(202,093)	164,896
		<u>32,662,564</u>	<u>28,562,570</u>
	Raw materials and consumables	(15,696,664)	(14,211,657)
2	Staff costs	(7,981,752)	(7,661,319)
	Depreciation	(640,669)	(668,327)
	Other operating charges	(6,337,050)	(6,109,713)
		<u>2,006,429</u>	<u>(88,446)</u>
2	<b>Group operating profit (loss)</b>		
3	Exceptional items	-	719,822
		<u>2,006,429</u>	<u>631,376</u>
	Share of operating loss in associates	(10,242)	(5,965)
4	Interest receivable and similar income	721,776	574,552
5	Interest payable and similar charges	(42,135)	(35,582)
		<u>2,675,828</u>	<u>1,164,381</u>
	<b>Profit on ordinary activities before taxation</b>		
6	Taxation on profit on ordinary activities	(747,700)	(39,200)
7	<b>Profit for the financial year</b>	<u>1,928,128</u>	<u>1,125,181</u>

None of the group's activities were acquired or discontinued during the above two financial years

The notes on pages 11 to 25 form part of these accounts

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

for the year ended

**31 DECEMBER 2006**

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Profit for financial year	1,928,128	1,125,181
Actuarial valuation gains on defined benefit pension scheme assets and liabilities	1,391,000	989,000
Deferred tax charge relating to actuarial valuation gains	(417,300)	(296,700)
<b>Total recognised gains and losses for the year</b>	<b>2,901,828</b>	<b>1,817,481</b>

The notes on pages 11 to 25 form part of these accounts



**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**GROUP CASH FLOW STATEMENT**

for the year ended

**31 DECEMBER 2006**

Notes		Year ended 31 December 2006 £	Year ended 31 December 2005 £
9	Net cash inflow from operating activities	2,879,480	479,846
9	Returns on investments and servicing of finance	(2,911)	(36,582)
	Taxation	11,578	36,185
9	Capital expenditure and financial investment	(482,332)	533,847
		<hr/>	<hr/>
	Equity dividends paid	2,405,815 (8,445)	1,013,296 (508,445)
		<hr/>	<hr/>
10	<b>Increase in cash in the year</b>	<b>2,397,370</b>	<b>504,851</b>
		<hr/>	<hr/>
	<b>Reconciliation of net cash inflow to movement in net funds (debt)</b>		
	Increase in cash in the year	2,397,370	504,851
		<hr/>	<hr/>
	Change in net (debt) funds resulting from cash flows	2,397,370	504,851
		<hr/>	<hr/>
	Movement in net (debt) funds in the year	2,397,370	504,851
	Net (debt) funds at 1 January 2006	(625,392)	(1,130,243)
		<hr/>	<hr/>
	Net funds (debt) at 31 December 2006	1,771,978	(625,392)
		<hr/>	<hr/>

The notes on pages 11 to 25 form part of these accounts

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**GROUP BALANCE SHEET**

**31 DECEMBER 2006**

Notes		31 December 2006 £	31 December 2005 £
	<b>Fixed assets</b>		
11	Tangible assets	2,538,598	2,696,935
13	Investments - Associated companies	59,856	70,098
		<u>2,598,454</u>	<u>2,767,033</u>
	<b>Current assets</b>		
14	Stocks	3,599,568	3,738,670
15	Debtors	8,892,300	8,385,983
	Cash in hand and at bank	1,771,978	15,880
		<u>14,263,846</u>	<u>12,140,533</u>
16	<b>Creditors:</b> amounts becoming due and payable within one year	(5,509,214)	(5,055,311)
	<b>Net current assets</b>	<u>8,754,632</u>	<u>7,085,222</u>
	<b>Net assets</b>	11,353,086	9,852,255
20	<b>Pension scheme asset</b>	6,027,000	4,640,000
	<b>Net assets</b>	<u>17,380,086</u>	<u>14,492,255</u>
	<b>Capital and reserves</b>		
21	Called up share capital	93,520	93,520
22	Capital redemption reserve	43,230	43,230
23	Share premium account	117,713	117,713
24	Profit and loss account	17,125,623	14,237,792
25	<b>Shareholders' funds</b>	<u>17,380,086</u>	<u>14,492,255</u>

The accounts on pages 6 to 25 were approved by the board of directors on 21 May 2007 and signed on its behalf by

B.H. Leigh-Bramwell

B H LEIGH-BRAMWELL )

M. Snowball

M SNOWBALL )

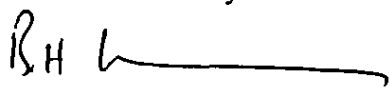
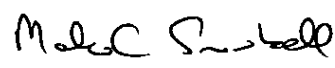
) Directors

The notes on pages 11 to 25 form part of these accounts

**LEIGH'S PAINTS****COMPANY BALANCE SHEET****31 DECEMBER 2006**

Notes		31 December 2006 £	31 December 2005 £
	<b>Fixed assets</b>		
11	Tangible assets	2,548,598	2,696,935
	Investments		
12	Group companies	209,641	209,641
13	Associated companies	257,489	257,489
		<u>3,005,728</u>	<u>3,164,065</u>
	<b>Current assets</b>		
14	Stocks	3,599,568	3,738,670
15	Debtors	8,935,792	8,429,605
	Cash in hand	1,747,802	15,880
		<u>14,283,162</u>	<u>12,184,155</u>
16	<b>Creditors: amounts becoming due and payable within one year</b>	<u>(5,798,726)</u>	<u>(5,369,129)</u>
	<b>Net current assets</b>	<u>8,484,436</u>	<u>6,815,026</u>
	<b>Net assets</b>	<u>11,490,164</u>	<u>9,979,091</u>
20	<b>Pension scheme asset</b>	<u>6,027,000</u>	<u>4,640,000</u>
	<b>Net assets</b>	<u><u>17,517,164</u></u>	<u><u>14,619,091</u></u>
	<b>Capital and reserves</b>		
21	Called up share capital	93,520	93,520
22	Capital redemption reserve	43,230	43,230
23	Share premium account	117,713	117,713
24	Profit and loss account	17,262,701	14,364,628
25	<b>Shareholders' funds</b>	<u><u>17,517,164</u></u>	<u><u>14,619,091</u></u>

The accounts on pages 6 to 25 were approved by the board of directors on 21 May 2007 and signed on its behalf by

 B H LEIGH-BRAMWELL )  
 M SNOWBALL ) Directors

The notes on pages 11 to 25 form part of these accounts

# LEIGH'S PAINTS AND ITS SUBSIDIARY COMPANIES

## NOTES TO THE ACCOUNTS

31 DECEMBER 2006

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are judged material in relation to the group's accounts

#### Basis of preparation of accounts

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The trading activity in two of the group's subsidiary undertakings, Firestore and Firestore Developments, ceased in March 2000. The trading activity in one of the group's associated companies, Hawk 2000 Limited, ceased in March 2001. The assets of these companies have been recognised at their estimated recoverable value.

#### Basis of consolidation

The group accounts incorporate the audited accounts of Leigh's Paints and its subsidiary undertakings made up to the 31 December.

#### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and associated companies is written off over its anticipated useful economic life.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The depreciation of tangible fixed assets is based on cost at rates calculated to write off the cost over the asset lives as follows:

Freehold buildings	- 2% per annum straight line
Premium on lease	- over the term of 125 years from 1983, straight line
Plant and machinery	
Laboratory	- 20% per annum straight line
Other - long life	- 10% per annum straight line
Other - short life	- 20% per annum straight line
Fixtures and fittings	- 10% per annum straight line
Office equipment	- 20% per annum straight line
Motor vehicles	- 25% per annum reducing balance

In the year of acquisition tangible fixed assets are depreciated for a full year.

#### Stocks

Stocks are stated at direct cost plus attributable overheads or net realisable value if lower.

#### Turnover

Turnover represents the value of goods sold and services provided net of value added tax. The directors consider that the disclosure of an analysis of turnover by geographical market would be prejudicial to the interests of the group and company.

#### Research and development

Expenditure on research and development is charged to the profit and loss account as incurred.

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**1 Accounting policies (continued)**

**Deferred taxation**

Provision is made on the liability method at current tax rates for deferred tax assets and liabilities arising from all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

**Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction and any differences are taken to the profit and loss account.

**Operating leases**

Rentals payable under operating leases are charged to the profit and loss account as incurred.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Pension costs – defined benefit scheme**

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value at such a rate that properly reflects the time value of money and the characteristics of those liabilities.

Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme surplus or deficit is recognised in full on the balance sheet as an asset or a liability. The deferred tax relating to the defined benefit asset/liability is offset against the defined benefit asset/liability and not included with other deferred tax assets or liabilities.

The movement upon the pension scheme surplus or deficit for the year is analysed between current service costs and finance income/charges which are recognised in the profit and loss account and actuarial valuation gains/losses which are recognised in the statement of total recognised gains and losses.

**Pension costs – defined contribution schemes**

Contributions made by the company to both the group defined contribution scheme operated by the company as well as the defined contributions scheme managed independently of the company, are charged to the profit and loss account as they become payable.

<b>2 Operating profit (loss)</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
a) This is stated after charging		
Directors' emoluments (see below)	513,490	436,003
Auditors' remuneration in respect of		
Audit services	24,900	24,100
Other services	25,104	15,002
Loss on disposal of tangible fixed assets (excluding exceptional item)	-	10,247
Operating lease rentals for		
Land and buildings	74,066	92,398
Plant and equipment	216,326	213,786
	<u>216,326</u>	<u>213,786</u>

**AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

<b>2</b>	<b>Operating profit (loss) (continued)</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
b)	Directors' emoluments		
	Aggregate emoluments	455,775	380,072
	Company pension contributions to a defined benefit scheme	16,742	16,183
	Company pension contributions to money purchase schemes	40,973	39,748
		<u>513,490</u>	<u>436,003</u>
	Retirement benefits are accruing to three directors under a defined benefit scheme and to three directors under money purchase schemes		
	Emoluments of the highest paid director		
	Aggregate emoluments	159,973	140,899
	Company pension contributions to money purchase schemes	16,366	15,879
	Defined benefit pension scheme.		
	Company pension contributions to a defined benefit scheme	7,193	6,959
	Accrued pension at end of year	<u>63,234</u>	<u>59,389</u>
		<b>2006</b>	<b>2005</b>
c)	Particulars of staff	<b>Number</b>	<b>Number</b>
	The average weekly number of persons employed during the year, including directors, was	248	246
		<u>248</u>	<u>246</u>
	Staff costs	<b>£</b>	<b>£</b>
	Wages and salaries	6,840,287	6,318,693
	Social security costs	671,028	586,704
	Pension costs - defined benefit scheme	345,154	621,388
	- defined contribution scheme	125,283	134,534
		<u>7,981,752</u>	<u>7,661,319</u>
<b>3</b>	<b>Exceptional items</b>		
	Decrease in provision against debts due from associated company	-	1,513
	Profit on disposal of leasehold property	-	718,309
		<u>-</u>	<u>719,822</u>

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

			2006 £	2005 £
<b>4</b>	<b>Interest receivable and similar income</b>			
	Interest on bank deposits		42,769	-
	Loan interest		980	1,717
	Other interest		1,027	2,835
	Net finance income in respect of defined benefit pension scheme		677,000	570,000
			<u>721,776</u>	<u>574,552</u>
<b>5</b>	<b>Interest payable and similar charges</b>			
	Bank overdrafts		<u>42,135</u>	<u>35,582</u>
<b>6</b>	<b>Taxation on profit on ordinary activities</b>			
		2006		2005
		£	£	£
(a)	Analysis of charge for the year			
	Current tax			
	UK Corporation tax on profit of the year	61,000		865
	Adjustments in respect of previous periods	-		(2,965)
	Total current tax (note (b))		61,000	(2,100)
	Deferred tax			
	Origination and reversal of timing differences	509,000		(23,000)
	Deferred tax charge relating to defined benefit pension scheme	177,700	686,700	64,300
	Taxation on profit on ordinary activities		<u>747,700</u>	<u>39,200</u>

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**6 Taxation on profit on ordinary activities (Continued)**

**(b) Factors affecting the charge for the year**

The tax assessed for the year is lower (2005 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>2,675,828</u>	<u>1,164,381</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	802,748	349,314
Effects of		
Expenses not deductible for tax purposes	19,984	17,982
Increase in provisions not deductible for tax purposes	9,299	20,866
Depreciation charge for the year in excess of capital allowances	26,607	23,374
Share of associate company losses for the year not relievable for tax	3,073	1,790
Tax allowances upon research and development expenditure	(75,000)	(75,213)
Utilisation of capital losses brought forward	-	(215,493)
Utilisation of trading losses brought forward	(548,411)	(56,154)
Net income relating to defined benefit pension scheme calculated under FRS 17 not taxable	(177,300)	(65,100)
Tax on profits charged at a lower rate than the standard rate	-	(501)
Adjustment to tax charge in respect of previous periods	-	(2,965)
Current tax charge for year (note (a))	<u>61,000</u>	<u>(2,100)</u>

At 31 December 2006 the company has unrelieved trading losses of £nil (31 December 2005 £1,828,026) and capital losses of £291,690 (31 December 2005 £291,690)

**7 Profit and loss account**

As permitted by Section 230 Companies Act 1985, the company has not presented its own profit and loss account

The amount of consolidated profit for the financial year dealt with in the financial statements of Leigh's Paints was profit £1,938,370 (31 December 2005 profit £1,131,146)

**8 Dividends**

	2006 £	2005 £
Paid during the year		
10% First Preference shares	63	63
6% Second Preference shares	5,067	5,067
10% Third Preference shares	422	422
Ordinary shares	8,445	508,445
	<u>13,997</u>	<u>513,997</u>



**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

<b>8</b>	<b>Dividends (continued)</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Proposed after the year end (not recognised as a liability)		
	10% First Preference shares	63	63
	6% Second Preference shares	5,067	5,067
	10% Third Preference shares	422	422
	Ordinary shares	508,445	8,445
		<u>513,997</u>	<u>13,997</u>
<b>9</b>	<b>Notes to the cash flow statement</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
<b>(a)</b>	<b>Reconciliation of operating profit (loss) to net cash inflow (outflow) from operating activities</b>		
	Operating profit (loss)	2,006,429	(88,446)
	Depreciation	640,669	668,327
	Loss on disposal of tangible fixed assets	-	10,247
	Decrease (increase) in stocks	139,102	(250,421)
	(Increase) decrease in debtors	(1,019,289)	342,089
	Increase (decrease) in creditors	1,026,569	(554,950)
	Increase in defined benefit pension scheme employee benefits	86,000	353,000
	Net cash inflow from operating activities	<u>2,879,480</u>	<u>479,846</u>
<b>(b)</b>	<b>Returns on investments and servicing of finance</b>		
	Interest received	44,776	4,552
	Interest paid	(42,135)	(35,582)
	Preference dividends paid	(5,552)	(5,552)
		<u>(2,911)</u>	<u>(36,582)</u>
<b>(c)</b>	<b>Capital expenditure and financial investment</b>		
	Payments to acquire tangible fixed assets	(485,094)	(286,295)
	Receipts from sales of tangible fixed assets	2,762	820,142
		<u>(482,332)</u>	<u>533,847</u>

**LEIGH'S PAINTS  
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**NOTES TO THE ACCOUNTS (continued)**

**31 DECEMBER 2006**

**10 Analysis of net funds (debt) and movement during the year**

	At 1 January 2006 £	Cash flow £	At 31 December 2006 £
Cash			
Cash in hand	15,880	216	16,096
Bank overdrafts	(641,272)	641,272	-
Cash at bank	-	1,755,882	1,755,882
<b>Total</b>	<b>(625,392)</b>	<b>2,397,370</b>	<b>1,771,978</b>

**11 Tangible fixed assets – Group and Company**

	Land and buildings £	Plant and equipment £	Total £
Cost			
At 1 January 2006	1,499,394	11,544,705	13,044,099
Additions	-	485,094	485,094
Disposals	-	(34,744)	(34,744)
At 31 December 2006	1,499,394	11,995,055	13,494,449
Depreciation			
At 1 January 2006	577,346	9,769,818	10,347,164
Charge for the year	29,997	610,672	640,669
Disposals	-	(31,982)	(331,982)
At 31 December 2006	607,343	10,348,508	10,955,851
Net book amount at:			
31 December 2006	892,051	1,646,547	2,538,598
31 December 2005	922,048	1,774,887	2,696,935

	2006 £	2005 £
The net book amount of land and buildings comprises:		
Freehold	830,445	859,832
Premium on lease	61,606	62,216
	<b>892,051</b>	<b>922,048</b>

**LEIGH'S PAINTS  
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**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

<b>12 Investments - Group companies</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
At 1 January 2006		
Shares at cost	807,340	807,340
Capital contributions	221,444	221,444
At 31 December 2006	<u>1,028,784</u>	<u>1,028,784</u>
Amount provided		
At 31 December 2005 and 31 December 2006	<u>819,143</u>	<u>819,143</u>
Net book amount at		
31 December 2005 and 31 December 2006	<u>209,641</u>	<u>209,641</u>

The company holds 100% of the issued share capital of the companies listed below:

H Davison & Sons (non-trading)

MacCleaster Chemical Company (non-trading)

Firestore (non-trading)

Firestore Developments (non-trading)

Country of registration

England

England

England

England

<b>13 Investments – Associated companies</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Group		
Share of associated companies net assets at 1 January 2006	70,098	76,063
Share of associate companies losses for the year	(10,242)	(5,965)
Share of associated companies net assets at 31 December 2006	<u>59,856</u>	<u>70,098</u>

<b>Company</b>	<b>Shares at cost</b>	<b>Loans</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2006 and 31 December 2006	<u>382,875</u>	<u>949,784</u>	<u>1,332,659</u>
Amount provided			
At 1 January 2006 and 31 December 2006	<u>382,625</u>	<u>692,545</u>	<u>1,075,170</u>
Net book amount at			
31 December 2005 and 31 December 2006	<u>250</u>	<u>257,239</u>	<u>257,489</u>

Details of the company's associate companies are as follows.

<b>Name</b>	<b>Nature of business</b>	<b>Shareholding</b>	<b>Country of registration</b>
Jebel Ali Liquid Chemical Company Limited	Non-trading	24.99%	Jersey
Fabsec Limited	Development of long span and cellular steel solutions	25.0%	England
Hawk 2000 Limited	Non-trading	48.9%	England

In the opinion of the directors, the fair value of the company's investments in its associated companies is not less than the net book value as at 31 December 2006 and 31 December 2005.

**LEIGH'S PAINTS  
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**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

14	Stocks	Group		Company	
		2006 £	2005 £	2006 £	2005 £
	Raw materials and consumables	1,689,741	1,626,750	1,689,741	1,626,750
	Work in progress	330,988	287,794	330,988	287,794
	Finished goods and goods for resale	1,578,839	1,824,126	1,578,839	1,824,126
		<u>3,599,568</u>	<u>3,738,670</u>	<u>3,599,568</u>	<u>3,738,670</u>

15	Debtors	Group		Company	
		2006 £	2005 £	2006 £	2005 £
	Trade debtors	8,424,318	7,327,863	8,424,318	7,327,863
	Amounts owed by group undertaking	-	-	45,068	45,068
	Value added tax	6	6	-	-
	Corporation tax	-	3,972	-	3,972
	Other debtors (see below)	36,630	157,525	36,500	157,525
	Deferred tax asset (note 19)	64,000	573,000	64,000	573,000
	Prepayments and accrued income	367,346	323,617	365,906	322,177
		<u>8,892,300</u>	<u>8,385,983</u>	<u>8,935,792</u>	<u>8,429,605</u>

Included within other debtors are loans to employees of group and company £22,272 (31 December 2005 group and company £41,346) which are subject to various rates of interest and repayment terms.

The majority of the deferred tax asset is expected to be recoverable after more than one year

16	Creditors: amounts becoming due and payable within one year	Group		Company	
		2006 £	2005 £	2006 £	2005 £
	Bank overdrafts	-	641,272	-	665,578
	Trade creditors	4,148,075	3,455,376	4,148,075	3,455,376
	Amounts owed to group undertakings	-	-	289,809	289,809
	Corporation tax	69,471	865	69,471	865
	Other taxes and social security	681,964	473,062	681,964	473,062
	Other creditors	32,904	60,581	32,607	60,284
	Accruals	576,800	424,155	576,800	424,155
		<u>5,509,214</u>	<u>5,055,311</u>	<u>5,798,726</u>	<u>5,369,129</u>

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**17 Secured indebtedness**

The bank have issued performance bonds to cover contractual guarantees relating to a number of the company's sales contracts. These facilities are secured by a charge over certain bank balances. The value of bank balances secured at 31 December 2006 is group and company £119,051 (31 December 2005 £133,017)

**18 Operating lease commitments**

Group and company Rentals payable in the year to 31 December 2007 under non-cancellable operating leases	Land and buildings £	Equipment £
Leases which terminate in one year or less	-	35,370
in more than one but not more than five years	36,125	174,590
	<u>36,125</u>	<u>174,590</u>

19 Deferred taxation	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Deferred taxation asset				
Accelerated capital allowances	(128,104)	(156,000)	(128,104)	(156,000)
Other timing differences	192,104	181,000	192,104	181,000
Tax losses carried forward	-	548,000	-	548,000
	<u>64,000</u>	<u>573,000</u>	<u>64,000</u>	<u>573,000</u>
Movement during the year				
At 1 January 2006	573,000			
Profit and loss account – charge	(509,000)			
At 31 December 2006	<u>64,000</u>			

**20 Pension commitments**

The company contributes to a defined benefit pension scheme which is now governed by a Consolidated Trust deed dated 4 April 2006. It is approved by the Inland Revenue as an exempt approved scheme under the Income and Corporation Taxes Act 1988. The scheme is not contracted out of the State Second Pension (formerly known as the State Earnings Related Pension Scheme (SERPS)). The assets of the scheme are held separately from those of the company in a trustee administered fund.

The cost of group and company contributions into the scheme in respect of the year ended 31 December 2006 were £259,154 (31 December 2005 £268,388). During the year employee contributions have been at the rate of 4.25% of employees salary on such part of that salary as does not exceed the NIC Upper Earnings Limit and 6% of the remainder of that salary. The rate of employers' contributions have been 5.33% and 7.33% of the above employees salary amounts respectively. The contribution rates have been agreed until May 2007.

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**20 Pension commitments (continued)**

The company also makes contributions to both the group defined contribution pension scheme and to an independently managed defined contribution scheme. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge for the year was group and company £125,283 (31 December 2005 group and company £134,534). Included in the balance sheet at 31 December 2006 are outstanding contributions in respect of all the pension schemes of group and company £7,670 (31 December 2005 group and company £59,075).

The group has fully adopted the requirements of Financial Reporting Standard 17 'Retirement Benefits' (FRS 17). Under this standard the following disclosures are required:

A full actuarial valuation was carried out as at 5 April 2004 and updated to 31 December 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 December 2006 %	31 December 2005 %
Rate of increase to accrued pensions pre retirement	0	0
Rate of increase in pensions in payment		
- accrued pre 6 April 1997	0	0
- accrued post 6 April 1997 – 5 April 2006	3.02	2.82
- accrued post 6 April 2006	2.50	-
Discount rate	4.97	4.73
Inflation assumption	3.02	2.82

The FRS 17 valuations assume that no discretionary increases are to be made to the value of either pensions in payment or accrued benefits pre retirement.

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus are:

	31 December 2006		31 December 2005	
	%	£	%	£
Equities	7.22	21,200,000	6.83	20,014,000
Bonds	4.49	9,086,000	4.16	8,578,000
Cash	4.75	105,000	4.25	108,000
Total market value of assets		30,391,000		28,700,000
Actuarial value of liabilities		(21,781,000)		(22,072,000)
Total surplus in the scheme		8,610,000		6,628,000
Related deferred tax liability		(2,583,000)		(1,988,000)
Net pension asset		6,027,000		4,640,000

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**20 Pension commitments (continued)**

An analysis of the defined benefit cost is as follows

Analysis of the amount charged to operating profit	2006 £	2005 £
Current service cost	133,154	108,388
Past service costs	212,000	513,000
Total operating charge	<u>345,154</u>	<u>621,388</u>
Analysis of the amount credited to finance income		
Interest on pension scheme liabilities	(1,038,000)	(1,017,000)
Expected return on pension scheme assets	<u>1,715,000</u>	<u>1,587,000</u>
Total finance income	<u>677,000</u>	<u>570,000</u>
Analysis of the amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	428,000	2,922,000
Experience gains arising from scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	<u>963,000</u>	<u>(1,933,000)</u>
Actuarial gains	<u>1,391,000</u>	<u>989,000</u>
Movement in surplus during the year		
Surplus at 1 January 2006	6,628,000	5,422,000
Movement in year		
Total operating charge	(345,154)	(621,388)
Total finance income	677,000	570,000
Actuarial gains recognised in the statement of total recognised gains and losses	1,391,000	989,000
Contributions	<u>259,154</u>	<u>268,388</u>
Surplus at 31 December 2006	<u>8,610,000</u>	<u>6,628,000</u>

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**20 Pension commitments (continued)**

History of experience gains and losses	2006	2005
Difference between the expected and actual return on scheme assets:		
- amount (£)	428,000	2,922,000
- % of scheme assets	1%	10%
Experience gains on scheme liabilities		
- amount (£)	-	-
- % of the present value of scheme liabilities	-	-
Total amount recognised in statement of total recognised gains and losses		
- amount (£)	1,391,000	989,000
- % of the present value of scheme liabilities	6%	4%

**21 Share capital**

	Authorised		Allotted, called up and fully paid	
	2006	2005	2006	2005
	Number	Number	£	£
10% First preference shares of £1	625	625	625	625
6% Second preference shares of £1	123,750	123,750	84,450	84,450
10% Third preference shares of 5p	123,750	123,750	4,222	4,222
New ordinary shares of 5p	123,750	123,750	4,223	4,223
	<u>371,875</u>	<u>371,875</u>	<u>93,520</u>	<u>93,520</u>

- (a) The preference shares convey a preferential right to a fixed annual dividend in priority to any dividends payable to the ordinary shareholders
- (b) Upon a return of assets, the net assets of the company shall be applied firstly in repaying the paid up share capital together with any dividend arrears of the preference shares, and secondly the paid up share capital of the ordinary shares
- (c) The preference shares convey no voting rights except for upon a resolution to vary or to modify the rights of the preference shares

**22 Capital redemption reserve**

	2006	2005
	£	£
An amount equal to the nominal value of own shares purchased has been credited to this account	<u>43,230</u>	<u>43,230</u>

**23 Share premium account**

	£	£
At 1 January 2006 and 31 December 2006	<u>117,713</u>	<u>117,713</u>



**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

<b>24 Profit and loss account</b>	<b>Group £</b>	<b>Company £</b>
At 1 January 2006	14,237,792	14,364,628
Profit for the financial year	1,928,128	1,938,370
Dividends	(13,997)	(13,997)
Actuarial valuation gain on defined benefit pension scheme asset and liabilities (net of deferred tax)	973,700	973,700
At 31 December 2006	<u>17,125,623</u>	<u>17,262,701</u>

	<b>Group</b>		<b>Company</b>	
<b>25 Reconciliation in movements in shareholders' funds</b>	<b>2006 £</b>	<b>2005 £</b>	<b>2006 £</b>	<b>2005 £</b>
Profit for the financial year	1,928,128	1,125,181	1,938,370	1,131,146
Dividends	(13,997)	(513,997)	(13,997)	(513,997)
Actuarial valuation gains on defined benefit pension scheme assets and liabilities (net of deferred tax charges)	973,700	692,300	973,700	692,300
Net increase to shareholders' funds	<u>2,887,831</u>	<u>1,303,484</u>	<u>2,898,073</u>	<u>1,309,449</u>
Opening shareholders' funds	<u>14,492,255</u>	<u>13,188,771</u>	<u>14,619,091</u>	<u>13,309,642</u>
Closing shareholders' funds	<u>17,380,086</u>	<u>14,492,255</u>	<u>17,517,164</u>	<u>14,619,091</u>
Equity interests	17,290,789	14,402,958	17,427,867	14,529,794
Non-equity interests	89,297	89,297	89,297	89,297
	<u>17,380,086</u>	<u>14,492,255</u>	<u>17,517,164</u>	<u>14,619,091</u>

**26 Contingent liabilities**

The company is party to a composite guarantee under which each group company has guaranteed the bank borrowings of any other group company

	<b>Group</b>		<b>Company</b>	
<b>27 Capital commitments</b>	<b>2006 £</b>	<b>2005 £</b>	<b>2006 £</b>	<b>2005 £</b>
Capital expenditure contracted but not provided for in the accounts	<u>29,761</u>	<u>25,960</u>	<u>29,761</u>	<u>25,960</u>

**LEIGH'S PAINTS  
AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS (Continued)**

**31 DECEMBER 2006**

**28 Transactions with related parties**

In the normal course of business the group/company entered into transactions with other business enterprises that fall within the definition of related parties contained in Financial Reporting Standard Number 8. The company believes that the terms of such transactions are not significantly different from those that could have been obtained from independent enterprises. Such comprise

Enterprise	Nature of transaction	Transactions value year to 31 December		Balances 31 December	
		2006 £	2005 £	2006 £	2005 £
Leigh Brothers	Purchases	172,083	147,675	-	-
	Sales	8,201	10,710	3,018	5,300
Hawk 2000 Limited	Sales	-	-	37,914	37,914
	Purchases	-	-	19,298	19,298
	Loan provided	-	-	15,000	15,000
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**29 Ultimate parent company**

Leigh's Paints is a wholly owned subsidiary of W & J Leigh & Co Limited which is the ultimate parent company.