

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007**

CONTENTS	Page
Notice of meeting	1
Company information	2
Directors' report	3-5
Auditors' report	6-7
Group profit and loss account	8
Group statement of recognised gains and losses	9
Group cash flow statement	10
Group balance sheet	11
Company balance sheet	12
Notes to the financial statements	13-27

Company Registration Number 893081

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LEIGHS PAINTS**NOTICE OF MEETING**

Notice is hereby given that the forty second Annual General Meeting of the company will be held at Tower Works, Kestor Street, Bolton, BL2 2AL, on 19 May 2008 for the purpose of transacting the following business

- 1 To receive the Directors' reports and the audited accounts for the year ended 31 December 2007
- 2 To declare dividends
- 3 To re-elect as directors R I Frost and J Leigh-Hardymont 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

19 May 2008

LEIGHS 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

Solicitors

CMA Solicitors
Churchgate House
30 Churchgate
Bolton
BL1 1HS

LEIGHS PAINTS

DIRECTORS' REPORT

31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

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

Directors' responsibilities for preparing the accounts

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements 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 financial statements 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

LEIGHS PAINTS

DIRECTORS' REPORT (continued)

31 DECEMBER 2007

Activities and business review

During the year, the group has continued to manufacture specialist industrial and fire protection coatings, including intumescent paint. The company is one of the UK leading independent manufacturers in this area and provides its products to a wide range of customers operating within the steel, marine, oil, gas and chemical, and transport markets. The risks inherent within this sphere of activity are the continuation of raw material availability and price pressures.

The results for the year are set out in the profit and loss account on page 8.

For the year under review, turnover has marginally increased, however gross profit was lower due to a slight change in the market mix. Overall the group has reported an operating profit lower than that of the previous year. The directors believe these to be the main KPI's of the business. The gross profit margin of the group in the year was 49.5% as compared to 51.9% in 2006.

During the year, we have continued to redevelop our site in Bolton and expand the production lines. This is an ongoing project which will ensure our facility will comply with current environmental legislation, can meet increased demands and provide an efficient and cost-effective production facility for the future. The directors have recognised the need to minimise the environmental and social impact of the business in both the atmosphere and the surrounding area.

Research and development activities continued during the year and the company has several development projects underway which are currently showing positive results.

The directors consider that the growth in sales, the ongoing investment in the group's site and the continued investment in research and development indicate that the state of the business is satisfactory. The strength of the balance sheet and the maintenance of positive cash balances provides a firm basis for plans to continue successful trading into the foreseeable future.

Financial instruments

The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these is to hold funds for, and record, the company's operations. Due to the nature of these financial instruments there is no exposure to price risk. As the company currently has adequate funds available to meet its operating requirements, there is also little liquidity risk. Any excess funds are deposited on term deposits, with the aim of spreading the maturity of these across varying time periods. Deposits are placed with suitably assessed and approved financial institutions.

Trade debtors are managed in respect of credit and cash flow risk by controls over the credit offered to customers and the regular monitoring of amounts outstanding against both time and value limits. Trade creditors liquidity risk is managed by ensuring that there are sufficient funds available to meet amounts due. The exchange rate risk inherent in international trading is managed by offsetting foreign currency incomes against foreign currency outgoings where possible. Use is also made of forward contracts to limit the exposure to movements in exchange rates.

Results and dividends

The group profit for the year, after taxation, amounted to £1,297,706. After the payment of proposed dividends as at 31 December 2006 of £513,997 and the inclusion of other recognised gains for the year of £1,103,900, the amount of retained profit added to reserves for the year was £1,887,609.

The directors propose the payment of final dividends totalling £353,997 for the year ended 31 December 2007.

LEIGHS PAINTS**DIRECTORS' REPORT (continued)****31 DECEMBER 2007****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 2007, 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.

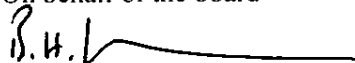
Research and development

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

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

19 May 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

LEIGHS PAINTS

We have audited the group and parent company financial statements of Leighs Paints for the year ended 31 December 2007 which are set out on pages 8 to 27. The financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 financial statements 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 financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**LEIGHS PAINTS (continued)****Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Wheawill & Sudworth

WHEAWILL & SUDWORTH

Registered Auditors
Chartered Accountants

35 Westgate
Huddersfield
HD1 1PA
19 May 2008

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

GROUP PROFIT AND LOSS ACCOUNT

31 DECEMBER 2007

Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Turnover	32,381,227	32,764,474
Royalties receivable	509,121	100,183
Change in stocks of finished goods and in work in progress	282,760	(202,093)
	<u>33,173,108</u>	<u>32,662,564</u>
Raw materials and consumables	(16,748,360)	(15,696,664)
2 Staff costs	(8,810,063)	(7,981,752)
Depreciation	(518,589)	(640,669)
Other operating charges	(6,037,681)	(6,337,050)
	<u>1,058,415</u>	<u>2,006,429</u>
2 Group operating profit		
Share of operating profit/(loss) in associates	19,503	(10,242)
3 Interest receivable and similar income	957,216	721,776
4 Interest payable and similar charges	(19,426)	(42,135)
	<u>2,015,708</u>	<u>2,675,828</u>
Profit on ordinary activities before taxation		
5 Taxation on profit on ordinary activities	(648,002)	(747,700)
	<u>1,367,706</u>	<u>1,928,128</u>
Profit for the financial year		

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

The notes on pages 13 to 27 form part of these financial statements

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended

31 DECEMBER 2007

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Profit for financial year	1,367,706	1,928,128
Actuarial valuation gains on defined benefit pension scheme assets and liabilities	1,577,000	1,391,000
Deferred tax charge relating to actuarial valuation gains	(473,100)	(417,300)
Total recognised gains and losses for the year	<u>2,471,606</u>	<u>2,901,828</u>

The notes on pages 13 to 27 form part of these financial statements

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

GROUP CASH FLOW STATEMENT

for the year ended

31 DECEMBER 2007

Notes		Year ended 31 December 2007 £	Year ended 31 December 2006 £
8	Net cash inflow from operating activities	1,504,995	2,879,480
8	Returns on investments and servicing of finance	86,238	(2,911)
	Taxation	(247,656)	11,578
8	Capital expenditure and financial investment	(1,087,984)	(482,332)
		<u>255,593</u>	<u>2,405,815</u>
	Equity dividends paid	(508,445)	(8,445)
9	Increase in cash in the year	<u>(252,852)</u>	<u>2,397,370</u>
9	Reconciliation of net cash flow to movement in net funds		
	(Decrease)/increase in cash in the year	<u>(252,852)</u>	<u>2,397,370</u>
	Net funds (debt) at 1 January 2007	<u>1,771,978</u>	<u>(625,392)</u>
	Net funds at 31 December 2007	<u>1,519,126</u>	<u>1,771,978</u>

The notes on pages 13 to 27 form part of these financial statements

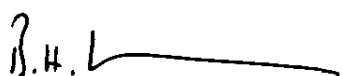
**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

GROUP BALANCE SHEET

31 DECEMBER 2007

Notes		31 December 2007 £	31 December 2006 £
	Fixed assets		
10	Tangible assets	3,107,993	2,538,598
12	Investments - Associated companies	79,359	59,856
		<u>3,187,352</u>	<u>2,598,454</u>
	Current assets		
13	Stocks	3,945,319	3,599,568
14	Debtors	8,321,984	8,892,300
	Cash in hand and at bank	1,519,126	1,771,978
		<u>13,786,429</u>	<u>14,263,846</u>
15	Creditors: amounts falling due within one year	(4,958,086)	(5,509,214)
	Net current assets	<u>8,828,343</u>	<u>8,754,632</u>
	Total assets less current liabilities	12,015,695	11,353,086
17	Provision for liabilities	(70,000)	-
	Net assets excluding pension scheme asset	<u>11,945,695</u>	<u>11,353,086</u>
18	Pension scheme asset	7,392,000	6,027,000
	Net assets	<u>19,337,695</u>	<u>17,380,086</u>
	Capital and reserves		
19	Called up share capital	93,520	93,520
20	Capital redemption reserve	43,230	43,230
20	Share premium account	117,713	117,713
20	Profit and loss account	19,083,232	17,125,623
21	Shareholders' funds	<u>19,337,695</u>	<u>17,380,086</u>

The financial statements on pages 8 to 27 were approved and authorised for issue by the board of directors on 19 May 2008 and signed on its behalf by



B H LEIGH-BRAMWELL)
) Directors



M SNOWBALL)

The notes on pages 13 to 27 form part of these financial statements

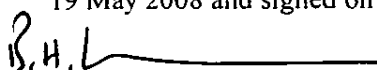
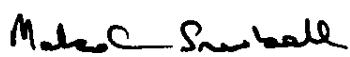
LEIGHS PAINTS

COMPANY BALANCE SHEET

31 DECEMBER 2007

Notes		31 December 2007 £	31 December 2006 £
	Fixed assets		
10	Tangible assets	3,107,993	2,538,598
	Investments		
11	Group companies	209,641	209,641
12	Associated companies	257,489	257,489
		<u>3,575,123</u>	<u>3,005,728</u>
	Current assets		
13	Stocks	3,945,319	3,599,568
14	Debtors	8,365,424	8,935,792
	Cash in hand	1,495,002	1,747,802
		<u>13,805,745</u>	<u>14,283,162</u>
15	Creditors amounts falling due within one year	(5,247,598)	(5,798,726)
	Net current assets	<u>8,558,147</u>	<u>8,484,436</u>
	Total assets less current liabilities	<u>12,133,270</u>	<u>11,490,164</u>
17	Provision for liabilities	(70,000)	-
	Net assets excluding pension scheme asset	<u>12,063,270</u>	<u>11,490,164</u>
18	Pension scheme asset	7,392,000	6,027,000
	Net assets	<u>19,455,270</u>	<u>17,517,164</u>
	Capital and reserves		
19	Called up share capital	93,520	93,520
20	Capital redemption reserve	43,230	43,230
20	Share premium account	117,713	117,713
20	Profit and loss account	19,200,807	17,262,701
21	Shareholders' funds	<u>19,455,270</u>	<u>17,517,164</u>

The accounts on pages 8 to 27 were approved and authorised for issue by the board of directors on 19 May 2008 and signed on its behalf by

 B H LEIGH-BRAMWELL)
) Directors
 M SNOWBALL)

The notes on pages 13 to 27 form part of these financial statements

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

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 financial statements

Basis of preparation of financial statements

The financial statements 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 Leighs Paints and its subsidiary undertakings made up to the 31 December.

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.

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

1 Accounting policies (continued)

Deferred taxation

Provision is made on the full provision 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.

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

2	Operating profit	2007 £	2006 £
a)	This is stated after charging		
	Directors' emoluments (see below)	441,568	500,161
	Auditors' remuneration (see below)	54,569	50,004
	(Profit)/loss on foreign exchange	(57,564)	90,132
	Research and development (including salary costs)	850,951	1,048,329
	Operating lease rentals		
	Land and buildings	68,517	74,066
	Plant and equipment	244,519	216,326
		<u> </u>	<u> </u>
	Auditors remuneration is analysed as follows		
	Fees payable for the audit of the Company	23,145	21,400
	Fees payable for the audit of the Holding company	2,000	1,500
	Fees payable for the audit of the Company's subsidiaries	1,000	2,000
		<u> </u>	<u> </u>
	Total audit fees	<u>26,145</u>	<u>24,900</u>
	Taxation services	3,000	2,500
	Audit of the Company's Pension Fund	5,000	4,500
	Other services	20,424	18,104
		<u> </u>	<u> </u>
	Total non-audit fees	<u>28,424</u>	<u>25,104</u>
	Total fees	<u>54,569</u>	<u>50,004</u>
b)	Directors' emoluments		
	Aggregate emoluments	374,831	442,446
	Company pension contributions to a defined benefit scheme	21,885	16,742
	Company pension contributions to money purchase schemes	44,852	40,973
		<u> </u>	<u> </u>
		<u>441,568</u>	<u>500,161</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	141,217	155,153
	Company pension contributions to money purchase schemes	17,727	16,366
	Defined benefit pension scheme		
	Company pension contributions to a defined benefit scheme	8,891	7,193
	Accrued pension at end of year (defined benefit scheme)	46,244	43,777
	Accrued lump sum at end of year (defined benefit scheme)	308,297	291,849
		<u> </u>	<u> </u>

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

2 Operating profit (continued)

	2007 Number	2006 Number
c) Particulars of staff		
The average monthly number of persons employed during the year was as follows		
Directors	3	3
Administrative	29	29
Sales	51	51
Technical	37	37
Supply chain	32	34
Production	92	94
	<u>244</u>	<u>248</u>
Staff costs	£	£
Wages and salaries	7,212,463	6,840,287
Social security costs	713,836	671,028
Pension costs - defined benefit scheme	755,353	345,154
- defined contribution scheme	128,411	125,283
	<u>8,810,063</u>	<u>7,981,752</u>

3 Interest receivable and similar income

	2007 £	2006 £
Interest on bank deposits	109,482	42,769
Loan interest	583	980
Other interest	1,151	1,027
Net finance income in respect of defined benefit pension scheme	846,000	677,000
	<u>957,216</u>	<u>721,776</u>

4 Interest payable and similar charges

Bank overdrafts	<u>19,426</u>	<u>42,135</u>
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**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

5	Taxation on profit on ordinary activities	2007		2006	
		£	£	£	£
(a)	Analysis of charge for the year				
	Current tax				
	UK Corporation tax on profit of the year	420,000		61,000	
	Adjustments in respect of previous periods	(17,898)		-	
	Total current tax (note 5(b))		402,102		61,000
	Deferred tax				
	Origination and reversal of timing differences	134,000		509,000	
	Deferred tax charge relating to defined benefit pension scheme	111,900		177,700	
			245,900		686,700
	Taxation on profit on ordinary activities		648,002		747,700
(b)	Factors affecting the charge for the year				
	The tax assessed for the year is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below				
			2007	2006	
			£	£	
	Profit on ordinary activities before taxation		2,015,708	2,675,828	
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)		604,713	802,748	
	Effects of				
	Expenses not deductible for tax purposes		10,250	19,984	
	Increase in provisions not deductible for tax purposes		14,853	9,299	
	Depreciation charge for the year in excess of capital allowances		(20,937)	26,607	
	Share of associate company (profit)/losses for the year not chargeable/relievable for tax		(5,851)	3,073	
	Tax allowances upon research and development expenditure		(63,821)	(75,000)	
	Utilisation of trading losses brought forward		-	(548,411)	
	Net income relating to defined benefit pension scheme calculated under FRS 17 not taxable		(111,900)	(177,300)	
	Adjustment to tax charge in respect of previous periods		(17,898)	-	
	Other tax adjustments		(7,307)	-	
	Current tax charge for year (note 5(a))		402,102	61,000	

At 31 December 2007 the company has unrelieved capital losses of £291,690 (31 December 2006 £291,690)

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

6 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 Leighs Paints was profit £1,348,203 (31 December 2006 profit £1,938,370)

7 Dividends	2007 £	2006 £
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	508,445	8,445
	<u>513,997</u>	<u>13,997</u>
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	348,445	508,445
	<u>353,997</u>	<u>513,997</u>
8 Notes to the cash flow statement		
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	1,058,415	2,006,429
Depreciation	518,589	640,669
(Increase) decrease in stocks	(345,751)	139,102
Decrease (increase) in debtors	506,316	(1,019,289)
(Decrease) increase in creditors	(705,574)	1,026,569
Increase in defined benefit pension scheme employee benefits	473,000	86,000
	<u>1,504,995</u>	<u>2,879,480</u>
(b) Returns on investments and servicing of finance		
Interest received	111,216	44,776
Interest paid	(19,426)	(42,135)
Preference dividends paid	(5,552)	(5,552)
	<u>86,238</u>	<u>(2,911)</u>

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

8 Notes to the cash flow statement (continued)	2007	2006
	£	£
(c) Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,087,984)	(485,094)
Receipts from sales of tangible fixed assets	-	2,762
	<u>(1,087,984)</u>	<u>(482,332)</u>
	<u><u>(1,087,984)</u></u>	<u><u>(482,332)</u></u>
9 Analysis of net funds and movement during the year		
	At	At
	1 January	31 December
	2007	2007
	£	£
Cash		
Cash in hand	16,096	14,064
Cash at bank	1,755,882	1,505,062
	<u>1,771,978</u>	<u>1,519,126</u>
Total	<u><u>1,771,978</u></u>	<u><u>1,519,126</u></u>
10 Tangible fixed assets – Group and Company	Land and	Plant and
	buildings	Equipment
	£	£
Cost		
At 1 January 2007	1,499,394	11,995,055
Additions	2,290	1,085,694
	<u>1,501,684</u>	<u>13,080,749</u>
At 31 December 2007	<u><u>1,501,684</u></u>	<u><u>13,080,749</u></u>
Depreciation		
At 1 January 2007	607,343	10,348,508
Charge for the year	30,043	488,546
	<u>637,386</u>	<u>10,837,054</u>
At 31 December 2007	<u><u>637,386</u></u>	<u><u>10,837,054</u></u>
Net book amount at		
31 December 2007	864,298	2,243,695
31 December 2006	892,051	1,646,547
	<u><u>864,298</u></u>	<u><u>1,646,547</u></u>
	2007	2006
	£	£
The net book amount of land and buildings comprises		
Freehold	804,522	830,445
Premium on lease	59,776	61,606
	<u>864,298</u>	<u>892,051</u>
	<u><u>864,298</u></u>	<u><u>892,051</u></u>

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

11 Investments - Group companies	2007	2006
	£	£
At 1 January 2007 and 31 December 2007		
Shares at cost	807,340	807,340
Capital contributions	221,444	221,444
	<u>1,028,784</u>	<u>1,028,784</u>
Amount provided		
At 31 December 2006 and 31 December 2007	819,143	819,143
Net book amount at		
31 December 2006 and 31 December 2007	<u>209,641</u>	<u>209,641</u>
The company holds 100% of the issued share capital of the companies listed below	Country of registration	
H Davison & Sons (non-trading)	England	
MacCleaster Chemical Company (non-trading)	England	
Firestore (non-trading)	England	
Firestore Developments (non-trading)	England	

12 Investments – Associated companies	2007	2006
	£	£
Group		
Share of associated companies net assets at 1 January 2007	59,856	70,098
Share of associate companies profits/(losses) for the year	19,503	(10,242)
	<u>79,359</u>	<u>59,856</u>
Share of associated companies net assets at 31 December 2007	<u>79,359</u>	<u>59,856</u>

Company	Shares at cost	Loans	Total
	£	£	£
At 1 January 2007 and 31 December 2007	382,875	949,784	1,332,659
Amount provided			
At 1 January 2007 and 31 December 2007	382,625	692,545	1,075,170
Net book amount at			
31 December 2006 and 31 December 2007	<u>250</u>	<u>257,239</u>	<u>257,489</u>

Details of the company's associate companies are as follows

Name	Nature of business	Shareholding	Country of registration
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 2007 and 31 December 2006

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

13	Stocks	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Raw materials and consumables	1,804,937	1,689,741	1,804,937	1,689,741
	Work in progress	336,646	330,988	336,646	330,988
	Finished goods and goods for resale	1,803,736	1,578,839	1,803,736	1,578,839
		<u>3,945,319</u>	<u>3,599,568</u>	<u>3,945,319</u>	<u>3,599,568</u>

14	Debtors	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Trade debtors	7,812,475	8,424,318	7,812,475	8,424,318
	Amounts owed by group undertaking	-	-	45,068	45,068
	Other debtors (see below)	81,269	36,636	81,133	36,500
	Deferred tax asset (note 17)	-	64,000	-	64,000
	Prepayments and accrued income	428,240	367,346	426,748	365,906
		<u>8,321,984</u>	<u>8,892,300</u>	<u>8,365,424</u>	<u>8,935,792</u>

Included within other debtors are loans to employees of group and company £9,444 (31 December 2006 group and company £22,272) which are subject to various rates of interest and repayment terms

15	Creditors amounts falling due within one year	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Trade creditors	3,574,587	4,148,075	3,574,587	4,148,075
	Amounts owed to group undertakings	-	-	289,809	289,809
	Corporation tax	223,917	69,471	223,917	69,471
	Other taxes and social security	684,617	681,964	684,617	681,964
	Other creditors	1,035	32,904	738	32,607
	Accruals	473,930	576,800	473,930	576,800
		<u>4,958,086</u>	<u>5,509,214</u>	<u>5,247,598</u>	<u>5,798,726</u>

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

16 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	-	31,935
in more than one but not more than five years	36,125	216,872
	<u> </u>	<u> </u>

17 Deferred taxation	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Deferred taxation (liability) asset				
Accelerated capital allowances	(275,290)	(128,104)	(275,290)	(128,104)
Other timing differences	205,290	192,104	205,290	192,104
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(70,000)	64,000	(70,000)	64,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Movement during the year				
At 1 January 2007	64,000			
Profit and loss account – charge	(134,000)			
	<u> </u>			
At 31 December 2007	(70,000)			
	<u> </u>			

18 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 company contributions into the scheme in respect of the year ended 31 December 2007 were £282,353 (31 December 2006 £259,154). 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.

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 £128,411 (31 December 2006 £125,283). Included in the balance sheet at 31 December 2007 are outstanding contributions in respect of all the pension schemes of £nil (31 December 2006 £7,670).

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

18 Pension commitments (continued)

The company 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 2007 and updated to 31 December 2007 by a qualified independent actuary. The major assumptions used by the actuary were

	31 December 2007 %	31 December 2006 %	31 December 2005 %	31 December 2004 %
Rate of increase to accrued pensions pre retirement	0	0	0	0
Rate of increase in pensions in payment				
- accrued pre 6 April 1997	0	0	0	0
- accrued post 6 April 1997 – 5 April 2006	3.45	3.02	2.82	2.76
- accrued post 6 April 2006	2.50	2.50	-	-
Discount rate	5.50	4.97	4.73	5.29
Inflation assumption	3.45	3.02	2.82	2.76

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 2007		31 December 2006		31 December 2005	
	%	£	%	£	%	£
Equities	7.25	22,027,000	7.22	21,200,000	6.83	20,014,000
Bonds	4.90	9,440,000	4.49	9,086,000	4.16	8,578,000
Cash	5.25	123,000	4.75	105,000	4.25	108,000
Total market value of assets		31,590,000		30,391,000		28,700,000
Actuarial value of liabilities		(21,030,000)		(21,781,000)		(22,072,000)
Total surplus in the scheme		10,560,000		8,610,000		6,628,000
Related deferred tax liability		(3,168,000)		(2,583,000)		(1,988,000)
Net pension asset		7,392,000		6,027,000		4,640,000

An analysis of the defined benefit cost is as follows

	2007 £	2006 £
Analysis of the amount charged to operating profit		
Current service cost	128,353	133,154
Past service costs	627,000	212,000
Total operating charge	755,353	345,154

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

18 Pension commitments (continued)

	2007 £	2006 £
Analysis of the amount credited to finance income		
Interest on pension scheme liabilities	(1,083,000)	(1,038,000)
Expected return on pension scheme assets	1,929,000	1,715,000
Total finance income	<u>846,000</u>	<u>677,000</u>
Analysis of the amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(265,000)	428,000
Experience gains arising from scheme liabilities	302,000	-
Changes in assumptions underlying the present value of scheme liabilities	1,540,000	963,000
Actuarial gains	<u>1,577,000</u>	<u>1,391,000</u>
Movement in surplus during the year		
Surplus at 1 January 2007	8,610,000	6,628,000
Movement in year		
Total operating charge	(755,353)	(345,154)
Total finance income	846,000	677,000
Actuarial gains recognised in the statement of total recognised gains and losses	1,577,000	1,391,000
Contributions	282,353	259,154
Surplus at 31 December 2007	<u>10,560,000</u>	<u>8,610,000</u>

History of experience gains and losses

	31 December 2007 £	31 December 2006 £	31 December 2005 £	31 December 2004 £
Difference between the expected and actual return on scheme assets				
- amount (£)	(265,000)	428,000	2,922,000	624,000
- % of scheme assets	(1)%	1%	10%	3%
Experience gains on scheme liabilities				
- amount (£)	302,000	-	-	1,812,000
- % of the present value of scheme liabilities	1%	-	-	9%
Total amount recognised in statement of total recognised gains and losses				
- amount (£)	1,577,000	1,391,000	989,000	1,012,000
- % of the present value of scheme liabilities	7%	6%	4%	5%

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

19 Share capital

	Authorised		Allotted, called up and fully paid	
	2007 Number	2006 Number	2007 £	2006 £
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

20 Reserves

	Capital redemption reserve £	Group Share premium account £	Profit and loss account £	Company profit and loss account £
At 1 January 2007	43,230	117,713	17,125,623	17,262,701
Profit for the financial year	-	-	1,367,706	1,348,203
Dividends	-	-	(513,997)	(513,997)
Actuarial valuation gain on defined pension scheme asset (net of deferred tax)	-	-	1,103,900	1,103,900
At 31 December 2007	<u>43,230</u>	<u>117,713</u>	<u>19,083,232</u>	<u>19,200,807</u>

	2007		2006	
	Group £	Company £	Group £	Company £
Profit and loss reserve (excluding pension asset)	11,691,232	11,808,807	11,098,623	11,235,701
Pension reserve	7,392,000	7,392,000	6,027,000	6,027,000
Profit and loss reserve	<u>19,083,232</u>	<u>19,200,807</u>	<u>17,125,623</u>	<u>17,262,701</u>

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

21	Reconciliation in movements in shareholders' funds	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Profit for the financial year	1,367,706	1,928,128	1,348,203	1,938,370
	Dividends	(513,997)	(13,997)	(513,997)	(13,997)
	Actuarial valuation gains on defined benefit pension scheme assets (net of deferred tax charges)	1,103,900	973,700	1,103,900	973,700
	Net increase to shareholders' funds	1,957,609	2,887,831	1,938,106	2,898,073
	Opening shareholders' funds	17,380,086	14,492,255	17,517,164	14,619,091
	Closing shareholders' funds	19,337,695	17,380,086	19,455,270	17,517,164
	Equity interests	19,248,398	17,290,789	19,365,973	17,427,867
	Non-equity interests	89,297	89,297	89,297	89,297
		19,337,695	17,380,086	19,455,270	17,517,164

22 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

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 2007 is group and company £70,691 (31 December 2006 £119,051)

23	Capital commitments	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Capital expenditure contracted but not provided for in the accounts	158,326	29,761	158,326	29,761

**LEIGHS PAINTS
AND ITS SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2007

24 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. These companies are related through common control. 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	
		2007 £	2006 £	2007 £	2006 £
Leigh Brothers	Purchases	185,697	172,083	-	-
	Sales	17,042	8,201	1,418	3,018
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>

25 Ultimate parent company

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

The directors are of the opinion that there is no one controlling party of W & J Leigh & Co Limited.