

Company Registration No 436135

PPG ARCHITECTURAL COATINGS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009



PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2009

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PPG ARCHITECTURAL COATINGS UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

Directors

G Molyneux
F Parry

Registered Office

Huddersfield Road
Birstall
Batley
WF17 9XA

Bankers

Lloyds TSB Bank Plc
6-7 Park Row
Leeds
LS1 1NX

Solicitors

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
1 City Square
Leeds
LS1 2AL

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

Going Concern

The financial statements are prepared on the basis that the company is a going concern, as the directors have reviewed the financial condition of the company and of the PPG group including consideration of future forecasts and uncertainties arising from the current difficult economic environment. Based upon this the directors have formed the view that the position of the company and the PPG group is sufficiently strong. Consequently the directors are satisfied it is reasonable to prepare the accounts on a going concern basis.

Principal activities and business review

The principal activity of the company remains that of the manufacture and distribution of architectural coating products.

2009 proved to be another year in which trade market conditions remained highly competitive in all sectors of the market. In the second half of the year pressure eased, but overall volume remained less than the year before, despite the economy moving out of recession in the 4th quarter. Whilst trading is down, we continue to remain positive as our market share continues to grow. We believe this leaves us in a strong position for the future.

This challenging year started with the re-launch of the Johnstone's Retail brand, bringing the brand more in line with the Trade livery. A total of 32 new colours across the range were introduced, together with a new colour card and website.

Leyland Trade further increased its brand awareness with the British Touring Car Championship (BTCC) sponsorship and the introduction of the Leyland Karting Challenge. The 'Mad About Colour' campaign was launched in the second half of the year. All of these activities culminated in a solid increase in market share in 2009.

Fat Hog, our new brand supporting a range of Premium Quality decorating tools, continued to expand the range of products. Paint rollers, abrasives and protection were successfully added to the range.

Our leading Johnstone's Trade brand saw the launch of a highly innovative new product for Dry Lining. The 'Best-by-Test' campaign was launched in April and remained in the spotlight during the rest of the year. These activities founded a substantial increase in market share.

The 26th Painter of the Year event took place at the Carden Park Hotel in Cheshire on the 6 June 2009. The work of 15 finalists was showcased during the evening's presentation. On the 5 April 2009, the 3rd Johnstone's Paint Trophy final took place, at the new Wembley stadium, attended by around 60,000 people.

Finally, 2 new Johnstone's decorating centres were opened, taking us to a total of captive 171 trade outlets in the UK. In the Republic of Ireland, no branches were opened. Therefore, the total number of captive outlets in the UK and Ireland is 185 in 2009.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Continued)

Strategy

The vision of the company continues to pursue its policy of becoming 'Our customers 1st Choice, delivered by 1st Class People'

The company's overriding objective is to achieve attractive and sustainable rates of growth and return; principally through organic growth. The company intends to do this via substantial gains in market share (aim to be #1 in trade by 2013) supported by excellent people as measured by a placing in the Sunday Times Top 50 Best Companies to Work for

The Strategy is a customer centric approach that we prefer to call "Customer Wow" - the pillars of this strategy are,

- A clear brand and channel strategy,
- The most effective front line - sales people and DC staff,
- Rigorous price control,
- Better products and services, and
- Prudent cost management

Results and dividends

The results of the company show a pre-tax profit of £6.4m (2008: £6.1m). The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2009 (2008: £nil)

Future outlook

Under the ownership of PPG Industries Inc. we expect to remain competitive and increase market share in 2010 and beyond, despite the extremely tough and hyper competitive market conditions.

We will continue to invest in our Decorating Centre network and brands and maintain and improve our levels of performance in the future. This strategy is fully supported by our parent company.

Principal risks and uncertainties

The UK market remains susceptible to new low cost entrants as there are low barriers to entry. In order to mitigate this risk, the company maintains a constant focus on cost management, working closely with customers to identify and share cost savings that are achieved in the supply chain. This approach is one of the key pillars of our company strategy.

The credit risk on financial assets and liabilities is limited because the company, through parent holding companies, have recourse to long term group borrowings which finance the business. Whilst the UK companies continue to make a significant contribution to the financial results of the PPG group, this financing will remain available.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Cont.)

Cash flow risk is primarily in the area of foreign exchange exposure, notably with the Euro. This is managed by currency loans funded through the group treasury function

The company has recourse to the group treasury function in order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments.

Key Performance Indicators

The performance for the year together with comparative data is set out in the table below

	2009	2008	Definition, method of calculation and analysis
Gross profit (%)	36.0%	34.7%	The ratio of gross profit to sales expressed as a percentage The gross profit percentage has improved due to effective cost controls on raw materials coupled with improved selling prices
Return on sales (%)	2.2%	0.7%	Operating profit expressed as a percentage of sales. Operating costs have been well controlled in 2009 to help improve the return on sales
Return on Investment capital	5.2%	1.5%	Operating profit expressed as a percentage of net assets Return on investment capital has improved due to the change in the pension fund performance

Directors

The directors of the company, who served for the whole of the year ended 31 December 2009 and up to the date of this report, except where stated, were as follows

G Molyneux
F Parry

Research and development

The board places a high priority on research and technological innovation, which serves the needs of customers. The cost of such work is disclosed in note 4 to the accounts

Employment policies

Employees or their representatives are provided with information and consulted on matters which are, in the opinion of the directors, of concern to them as employees and likely to affect their interests. It is the policy of the company to support the employment of disabled people wherever possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

Health and safety at work has always been of prime concern. Continuous efforts are made to improve existing measures and to stimulate interest in safety in each employee.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Cont.)

Environmental policies

During the year a lot of effort went into preparations for compliance with the VOC 2010 legislation. The company continues to develop its sustainability and plans to introduce further improvements in 2010.

Supplier payment policy

The company's policy is to settle transactions according to payment terms agreed with suppliers when accounts are opened. Trade creditors of the company at 31 December 2009 were equivalent to 77 days purchases (2008 82 days), based on the average daily amount invoiced by suppliers during the year

Charitable and political contributions

During the year the company made charitable donations of £24,290 (2008 £18,485), principally to local charities serving the communities in which the company operates. The company made no political contributions.

Statement of disclosure of information to auditors

The Directors of the company at the date of this report confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all steps he/she ought to have taken as a director in order to make himself/herself aware of any audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in Accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

Deloitte LLP have indicated their willingness to continue in office A resolution to re-appoint Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General meeting.



G Molyneux
Director

23 September 2010

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

PPG ARCHITECTURAL COATINGS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPG ARCHITECTURAL COATINGS UK LIMITED

We have audited the financial statements of PPG Architectural Coatings UK Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Statement of Total Recognised Gains and Losses and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.


PPG ARCHITECTURAL COATINGS UK LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPG
ARCHITECTURAL COATINGS UK LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit


David Johnson B A., A.C.A (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds, United Kingdom

24 September 2010

PPG ARCHITECTURAL COATINGS UK LIMITED

PROFIT AND LOSS ACCOUNT

Year Ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Turnover		186,240	200,661
Cost of sales	3	(119,184)	(131,075)
Gross profit		67,056	69,586
Net operating expenses	3	(62,887)	(68,211)
Operating profit	4	4,169	1,375
Interest receivable and similar income	5	2,046	5,064
Interest payable and similar charges	6	(682)	(323)
Other finance costs	7	853	(56)
Profit on ordinary activities before taxation		6,386	6,060
Tax on ordinary activities	8	(1,166)	(1,629)
Profit for the financial year	18	5,220	4,431

All of the above activities are derived from continuing operations. There is no difference between the profit on ordinary activities before taxation and the profit for the financial year and their historical cost equivalents.

The accompanying notes are an integral part of this profit and loss account

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		5,220	4,431
Actuarial (loss)/gain on defined benefit scheme	16	(23,748)	16,092
Deferred tax associated with actuarial (loss)/gain	15	6,648	(4,506)
Total recognised (losses)/gains for the year		(11,880)	16,017

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £'000	2008 £'000
Profit for the financial year	5,220	4,431
Actuarial (loss)/gain on defined benefit scheme	(23,748)	16,092
Deferred tax associated with actuarial (loss)/ gain	6,648	(4,506)
Net (reduction)/addition to shareholders' funds	(11,880)	16,017
Opening shareholders' funds	92,323	76,306
Closing shareholders' funds	80,443	92,323

PPG ARCHITECTURAL COATINGS UK LIMITED

BALANCE SHEET

At 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	9	18,783	21,919
Tangible assets	10	<u>15,232</u>	<u>16,508</u>
		<u>34,015</u>	<u>38,427</u>
Current assets			
Stocks	11	18,826	17,870
Debtors	12	111,856	134,838
Cash at bank and in hand		<u>13,327</u>	<u>649</u>
		<u>144,009</u>	<u>153,357</u>
Creditors: amounts falling due within one year	13	<u>(94,661)</u>	<u>(113,461)</u>
Net current assets		<u>49,348</u>	<u>39,896</u>
Total assets less current liabilities		83,363	78,323
Creditors: amounts falling due after one year	14	(351)	-
Provisions for liabilities	15	<u>(1,212)</u>	<u>(316)</u>
Net assets excluding pension (liability)/asset		81,800	78,005
Pension (liability)/asset	16	<u>(1,357)</u>	<u>14,318</u>
Net assets including pension (liability)/asset		<u>80,443</u>	<u>92,323</u>
Capital and reserves			
Called-up share capital	17	350	350
Profit and loss account	18	<u>80,093</u>	<u>91,973</u>
Equity shareholders' funds		<u>80,443</u>	<u>92,323</u>

These financial statements of PPG Architectural Coatings UK Limited, registered number 436135, were approved by the Board of Directors on 23 September 2010 and signed on its behalf by.


Greg Molyneux
Director

The accompanying notes are an integral part of this balance sheet.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2009

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and with applicable accounting standards in the United Kingdom and under the historical cost accounting rules

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking, PPG Industries Inc has prepared consolidated accounts which include the accounts of the company for the year and which contain a consolidated cash flow statement, and which are publicly available

As the company is a wholly owned subsidiary of PPG Industries Inc the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with companies that form part of the group The consolidated financial statements of PPG Industries Inc within which this company is included, disclose this information, and can be obtained from 2400 One PPG Place, Pittsburgh, Pennsylvania 15222-5401, USA

Going concern

The financial statements are prepared on the basis that the company is a going concern, as the directors have reviewed the financial condition of the company and of the PPG group including consideration of future forecasts and uncertainties arising from the current difficult economic environment. Based upon this the directors have formed the view that the position of the company and the PPG group is sufficiently strong Consequently the directors are satisfied it is reasonable to prepare the accounts on a going concern basis

Turnover

Turnover represents the invoiced value of sales net of value added tax in the normal course of business and is recognised upon despatch of goods sold No geographical analysis of sales is provided as the value of sales outside of the UK is considered to be not material

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

1. ACCOUNTING POLICIES - continued

Tangible fixed assets – continued

The estimated useful lives of assets are as follows

Short leasehold properties - By reference to the unexpired portion of the lease

Plant and motor vehicles - 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In establishing cost, stocks and work in progress at the end of the year are taken to represent latest purchases or production

On this basis, cost comprises:

Raw materials - purchase price

Work in progress and finished goods - raw materials, direct labour and attributable production overheads

Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred on completion and disposal

Taxation

Current tax, including UK corporation tax and foreign tax, is provided on amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2009

1. ACCOUNTING POLICIES - continued

Taxation -- continued

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all the evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Pensions and retirement indemnities

The company participates in a defined benefit pension scheme. The scheme is administered by trustees and is independent of the company finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The company contributes to a defined contribution pension plan for new employees. Contributions are charged to the profit and loss accounts as they become payable.

Goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired is capitalised and written off over the period in which economic benefit from the acquisition is derived. Goodwill is currently being amortised over 20 years which is, in the directors' opinion, its useful economic life. Provision is made for any impairment.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

1. ACCOUNTING POLICIES - continued

Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at their cost. Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives. Trademark licences are currently being amortised over 10 years which is, in the directors' opinion, their useful economic life. Provision is made for any impairment.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase contracts are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period of the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the profit and loss account.

2. EMPLOYEES

	2009 £'000	2008 £'000
a) Employment cost of employees:		
Wages and salaries	38,334	42,338
Social security costs	3,098	3,429
Other pension costs (see note 15)	3,971	4,629
	<u>45,403</u>	<u>50,396</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

2. EMPLOYEES (Cont.)

	2009 Number	2008 Number
b) The average monthly number of people employed by the company during the year was:		
Production	446	467
Selling and distribution	1,246	1,271
Administration	138	122
	<u>1,830</u>	<u>1,860</u>

c) Directors' Emoluments

	2009 £'000	2008 £'000
Fees	308	281
Other emoluments (including pension contributions and benefits in kind)	49	45
	<u>357</u>	<u>326</u>

d) Directors' Pensions

One director is a member of the company's defined benefit pension scheme in both years, the second director is in the money purchase pension scheme operated by the company

Highest paid director

The remuneration of the highest paid director, including pension contributions of £19,000 (2008 £12,000), was £235,000 (2008 £241,000).

3. COST OF SALES AND NET OPERATING EXPENSES

	2009 £'000	2008 £'000
Cost of sales	<u>119,184</u>	<u>131,075</u>
Net operating expenses.		
Administrative expenses	10,299	13,167
Selling and distribution costs	52,799	55,044
Total net operating expenses	<u>63,098</u>	<u>68,211</u>

4. OPERATING PROFIT

	2009 £'000	2008 £'000
Operating profit is arrived at after charging:		
Depreciation of tangible fixed assets - owned	3,902	3,719
Depreciation of tangible fixed assets - leased	18	18
(Profit)/loss on disposal of fixed assets	(11)	13
Amortisation of intangible fixed assets	3,136	3,136
Hire of plant and machinery - operating leases	2,516	1,692
Hire of other assets - operating leases	4,395	4,244
Research and development costs	<u>1,090</u>	<u>1,216</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

4. OPERATING PROFIT (Cont.)	2009	2008
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	62	87
Total audit fees	<u>62</u>	<u>87</u>
Taxation services	30	30
Total non-audit fees	<u>30</u>	<u>30</u>
5. INTEREST RECEIVABLE AND SIMILAR INCOME	2009	2008
	£'000	£'000
Receivable from group undertakings	<u>2,046</u>	<u>5,064</u>
6. INTEREST PAYABLE AND SIMILAR CHARGES	2009	2008
	£'000	£'000
Payable to group undertakings	<u>682</u>	<u>323</u>
7. OTHER FINANCE COSTS	2009	2008
	£'000	£'000
Expected return on pension scheme assets	4,795	3,978
Interest on pension scheme liabilities	<u>(3,942)</u>	<u>(4,034)</u>
	<u>853</u>	<u>(56)</u>
8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2009	2008
	£'000	£'000
<u>UK Corporation tax</u>		
Current tax on income for the year	-	3,242
Release of prior year tax	<u>(96)</u>	<u>(437)</u>
Total current tax (credit)/charge	<u>(96)</u>	<u>2,805</u>
<u>Deferred tax (see note 14):</u>		
Total deferred tax	<u>1,262</u>	<u>(1,176)</u>
Tax on profit on ordinary activities	<u>1,166</u>	<u>1,629</u>
<u>Factors affecting the tax charge for the current year</u>	2009	2008
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>6,386</u>	<u>6,060</u>
Current tax at 28% (2008 28.5%)	<u>1,788</u>	<u>1,727</u>
<u>Effects of</u>		
Expenses not deductible for tax	1,101	1,169
Release of prior year tax	<u>(96)</u>	<u>(437)</u>
Accelerated capital allowances expenses deductible for tax only when cash payment made	127	346
Group relief not paid for	<u>(3,016)</u>	<u>-</u>
Total current tax (credit)/charge (see above)	<u>(96)</u>	<u>2,805</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (cont.)

The corporation tax rate changed from 30% to 28% on 1 April 2008, giving an effective tax rate for 2008 of 28.5%. The Finance Bill 2010 was published on 1 July 2010 and included a reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 28% to 27%.

9. INTANGIBLE FIXED ASSETS

	Trademark licences £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2009 and at 31 December 2009	38	62,634	62,672
Amortisation			
At 1 January 2009	34	40,719	40,753
Charge for the year	4	3,132	3,136
At 31 December 2009	38	43,851	43,889
Net book value			
At 31 December 2009	-	18,783	18,783
At 31 December 2008	4	21,915	21,919

10. TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
Cost			
At 1 January 2009	2,224	63,891	66,115
Additions	960	1,702	2,662
Disposals	-	(450)	(450)
At 31 December 2009	3,184	65,143	68,327
Depreciation			
At 1 January 2009	1,218	48,389	49,607
Charge for the year	101	3,819	3,920
Disposals	-	(432)	(432)
At 31 December 2009	1,319	51,776	53,095
Net book amount			
At 31 December 2009	1,865	13,367	15,232
At 31 December 2008	1,006	15,502	16,508

The net book amount of tangible fixed assets includes £206,000 (2008: £236,000) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £18,000 (2008: £4,000).

PPG ARCHITECTURAL COATINGS UK LIMITED

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Year Ended 31 DECEMBER 2009

11. STOCKS	2009	2008
	£'000	£'000
Raw materials and consumables	4,668	4,305
Work in progress	1,011	893
Finished goods	13,147	12,672
	<u>18,826</u>	<u>17,870</u>

There is no material difference between the balance sheet value of stock and their replacement cost.

12. DEBTORS	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	18,079	29,160
Amounts owed by group undertakings	89,697	102,953
Deferred tax asset (see note 15)	1,154	1,863
Prepayments	2,926	862
	<u>111,856</u>	<u>134,838</u>

The 2008 balances have been adjusted by £6,295,000 between trade receivables and amounts owed by group undertakings, due to reclassification of a debtor balance.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2009	2008
	£'000	£'000
Trade creditors	25,103	32,441
Amounts owed to group undertakings	60,894	66,318
Corporation tax payable	3,018	7,737
Other taxes and social security	1,797	1,431
Finance lease creditor	-	352
Accruals and deferred income	3,849	5,182
	<u>94,661</u>	<u>113,461</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2009	2008
	£'000	£'000
Finance lease creditor	<u>351</u>	<u>-</u>

15. PROVISIONS FOR LIABILITIES	Other provision	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 January 2009	316	3,705	4,021
Charged to profit and loss account	1,212	1,262	2,474
Utilised in the year	(316)	-	(316)
Charged to the statement of total recognised gains and losses	-	(6,648)	(6,648)
At 31 December 2009	<u>1,212</u>	<u>(1,681)</u>	<u>(469)</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

15. PROVISIONS FOR LIABILITIES (Cont.)

Other provision

This is the third year of a contractual arrangement, entered into by the company, to sponsor a sporting trophy such that the company is obligated to pay the full amount due under the contract unless certain events occur. The company has renewed the contract for a further three year term. The directors consider that the likelihood of these events occurring is remote and have therefore provided for the contractual obligation. The provision will be utilised over the next 3 years. The directors have not used discounting as this would not give rise to a materially different result.

Deferred taxation

The deferred tax asset at 31 December can be analysed as follows

	2009 £'000	2008 £'000
Difference between accumulated depreciation and amortisation and capital allowances	1,154	1,863
Deferred tax asset (see note 12)	1,154	1,863
Deferred tax asset/(liability) on pension (liability)/asset (see note 16)	527	(5,568)
	<u>1,681</u>	<u>(3,705)</u>

A deferred tax asset has been recognised as the directors consider that based on the anticipation of future taxable earnings it is more likely than not that the asset will be recovered.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax laws substantively enacted at the balance sheet date.

There are no further unrecognised deferred tax assets or unprovided deferred tax liabilities other than those stated above at either year end.

16. PENSION COMMITMENTS

The Company participates in a defined benefit pension scheme in the UK (the SigmaKalon UK Pension Fund). The scheme is a funded scheme.

A formal valuation was carried out as at 5 April 2009 which has been updated to 31 December 2009 by a qualified independent actuary. The next valuation will be in 2012. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Over 95% of the liabilities of the SigmaKalon UK Pension Fund relate to members employed by PPG Architectural Coatings UK Ltd. These disclosures have been prepared on the assets and liabilities of the fund as a whole.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

16. PENSION COMMITMENTS (Cont.)

The major assumptions used by the actuary were:

	2009	2008	2007
Discount rate	5.6%	6.7%	6.0%
Expected return on scheme assets	5.6%	6.2%	5.8%
Rate of increase in salaries	3.7%	4.0%	4.4%
Rate of increase in future pensions in payment – where relating to increases in the Retail Prices Index (RPI) with a maximum of 5% pa	3.6%	2.8%	3.3%
Rate of increase in deferred pensions	3.2%	3.0%	3.4%
Inflation assumption	3.2%	3.0%	3.4%
Mortality	2009	2008	
Retiring today – Males	85.3	84.4	
- Female	88.2	87.4	
Retiring in 20 years - Male	88.0	85.2	
- Female	91.0	88.1	

The assets in the scheme and the weighted average expected rate of return were

	% at 31 Dec 2009	Value at 31 Dec 2009	% at 31 Dec 2008	Value at 31 Dec 2008	% at 31 Dec 2007	Value at 31 Dec 2007
		£'000		£'000		£'000
Equities	23%	19,512	21%	15,760	29%	19,694
Bonds	76%	63,622	79%	60,898	71%	47,407
Cash	1%	583	0%	169	0%	6
Total market value of assets	100%	83,717	100%	76,827	100%	67,107
		31 Dec 2009		31 Dec 2008		31 Dec 2007
		£'000		£'000		£'000
Fair value of assets		83,717		76,827		67,107
Pension liability		(85,601)		(56,941)		(64,497)
Overall (deficit)/surplus in scheme		(1,884)		19,886		2,610
Related deferred tax asset / (liability)		527		(5,568)		(731)
Net pension (liability)/asset		(1,357)		14,318		1,879

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NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

16. PENSION COMMITMENTS (cont.)

Movement in net (deficit)/ surplus during the year

	31 December 2009 £'000	31 December 2008 £'000
Surplus in the scheme at beginning of the year	19,886	2,610
Current service cost	(3,175)	(3,960)
Contributions	4,300	5,200
Other finance costs	853	(56)
Actuarial (loss)/gain	(23,748)	16,092
(Deficit)/surplus in the scheme at year end	<u>(1,884)</u>	<u>19,886</u>

Balance sheet presentation

	31 December 2009 £'000	31 December 2008 £'000
Net assets excluding pension (liability)/asset	81,094	78,005
Pension (liability)/asset	<u>(1,357)</u>	<u>14,318</u>
Net assets including pension (liability)/asset	<u>79,737</u>	<u>92,323</u>
Profit and loss reserve excluding pension (liability)/ asset	80,744	77,655
Pension (liability)/asset	<u>(1,357)</u>	<u>14,318</u>
Profit and loss reserve including pension (liability)/asset	<u>79,387</u>	<u>91,973</u>

	31 December 2009 £'000	31 December 2008 £'000
Analysis of amount charged to operating profit		
Current service cost	<u>3,175</u>	<u>3,960</u>

Analysis of amount credited to other finance income

Expected return on pension scheme assets	4,795	3,978
Interest on Pension scheme Liabilities	<u>(3,942)</u>	<u>(4,034)</u>
Net return	<u>853</u>	<u>(56)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

Actual return less expected return on pension scheme assets	15	3,156
Experience Gains and Losses arising on the scheme liabilities	(985)	(2,591)
Changes in assumptions underlying the present value of the scheme liabilities	(22,778)	15,527
Actuarial (loss)/gain recognised in STRGL	<u>(23,748)</u>	<u>16,092</u>

The Company is currently contributing 19.5% of Pensionable Salary, less member contributions for any members who are not participating in the Company's Pay Conversion Arrangement. In addition, contributions of £94,000 per month were payable from 1 July 2007

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NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

16. PENSION COMMITMENTS - continued

Reconciliation of the present value of the defined benefit obligation

	31 December 2009 £'000	31 December 2008 £'000
Present value of defined benefit obligation at beginning of the year	56,941	64,497
Current service cost	3,175	3,960
Interest cost	3,942	4,034
Members contributions	90	78
Actuarial loss/(gain)	23,763	(12,936)
Benefits paid	(2,310)	(2,692)
Present value of defined benefit obligation at end of the year	85,601	56,941

Reconciliation of fair value of scheme assets

	31 December 2009 £'000	31 December 2008 £'000
Fair value of scheme assets at beginning of the year		
Expected return on scheme assets	76,827	67,107
Actuarial gain on scheme assets	4,795	3,978
Contributions by the company	15	3,156
Member contributions	4,300	5,200
Benefits paid	90	78
	(2,310)	(2,692)
Present value of defined benefit obligation at end of the year	83,717	76,827

Summary of the movement in deferred tax on the net pension liability/(asset):

	2009 £'000	2008 £'000
Brought forward 1 January	(5,568)	(731)
Debited through statement of total recognised gains and losses	6,648	(4,506)
Debited through the profit and loss account	(553)	(331)
Deferred tax at 31 December	527	(5,568)

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NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

16. PENSION COMMITMENTS - continued

Details of experience gains and losses for the years to 31 December 2009, 31 December 2008, 31 December 2007 and 31 December 2006 and 31 December 2005

	31 December 2009	31 December 2008	31 December 2007	31 December 2006	31 December 2005
Fair value of assets	83,717	76,827	67,107	58,678	51,246
Pension Liability	(85,601)	(56,941)	(64,497)	(63,636)	(59,528)
Overall (deficit)/ surplus in scheme	(1,884)	19,886	2,610	(4,958)	(8,282)
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	15	3,156	2,015	727	5,304
Percentage of scheme assets	0%	4%	3.0%	1.2%	10.4%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(985)	(2,591)	563	2,414	(3,380)
Percentage of the present value of the scheme liabilities	(1%)	(5%)	0.9%	6.4%	(5.7)%

The companies best estimate of contributions for 2010 are £5,200,000 by the employer and £80,000 by the employees

Group Personal Pension

The company also pays contributions to a Group Personal Pension ("GPP") in respect of certain employees. The company's contributions to the GPP in the period up to 31 December 2009 were £795,644 (2008: £668,918). There are no contributions unpaid at 31 December 2009.

17. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised 65,000,000 ordinary shares of £1 each	65,000	65,000
Allotted, issued and fully paid: 350,000 ordinary shares of £1 each	350	350

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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18. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2009	91,973
Profit for the financial year	5,220
Actuarial gain in defined benefit pension plan	(23,748)
Deferred tax re actuarial gain	6,648
Closing balance at 31 December 2009	80,093

19. COMMITMENTS

	2009 £000	2008 £000
a) Future capital expenditure Contracted for, but not provided in the accounts	<u>242</u>	<u>144</u>

b) Leasing commitments		
The annual commitment under operating leases are analysed according to the period in which each lease expires, as follows		
	2009 £'000	2008 £'000
Land and building leases expiring:		
within 1 year	282	456
between 1 and 2 years	188	252
between 2 and 5 years	830	824
beyond 5 years	<u>2,979</u>	<u>2,382</u>
	<u>4,279</u>	<u>3,914</u>

Plant and motor vehicles leases expiring:

	2009 £'000	2008 £'000
within 1 year	468	133
between 1 and 2 years	970	399
between 2 and 5 years	<u>513</u>	<u>783</u>
	<u>1,951</u>	<u>1,315</u>

20. CONTINGENT LIABILITY

The company has received a claim in relation to an advertising campaign alleging trade mark infringement and copyright infringement. No amounts are provided in the statutory accounts with regard to this claim as the claimant has not yet quantified this claim and consequently it is not possible to make a reliable estimate. The directors of the company intend to defend the claim vigorously.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2009

21. ULTIMATE PARENT UNDERTAKING

The immediate parent is Kalon Investment Company Limited, a company incorporated in the United Kingdom

The directors regard PPG Industries Inc, a company incorporated and registered in the United States of America and listed on the New York Stock Exchange, as the ultimate parent company and ultimate controlling party by virtue of its 100% interest in the equity share capital of the company

This is the largest and smallest company within which the Company's results are consolidated. Copies of its financial statements can be obtained from 2400 One PPG Place, Pittsburgh, Pennsylvania 15222-5401, USA