

Company Registration No 436135

PPG ARCHITECTURAL COATINGS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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PPG ARCHITECTURAL COATINGS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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PPG ARCHITECTURAL COATINGS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

OFFICERS AND PROFESSIONAL ADVISERS

Directors

F Parry
G Roebuck
J Metcalf
L Morris
M Baines
P Lafford
P Dowie
R Hemingway
S Pocock
V O'Sullivan

Registered Office

Huddersfield Road
Birstall
Batley
West Yorkshire
WF17 9XA

Bankers

Royal Bank of Scotland N.V.
Gustav Mahlerlaan 350
1082ME Amsterdam
The Netherlands
P.O. Box 12925 1100AX

Solicitors

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

PPG ARCHITECTURAL COATINGS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Principal activities and business review

The principal activity of the company remains that of the manufacture and distribution of architectural coatings products to both the trade and retail paint segments.

Both paint segments remain highly challenging environments. The trade paint segment continued its recovery in 2015 with strong volume growth for a third consecutive year. The retail paint segment only saw marginal volume growth in 2015. This segment remains volatile, having seen only 1 year of growth over the past 6 years. Overall, the company's sales continued to perform very well, growing ahead of each paint segment in terms of volume. Both the Johnstone's and Leyland brands have contributed to this success.

In the trade paint segment we continue to make strong progress. Throughout 2015 we invested further in our Johnstone's Decorating Centre network with the opening of 4 new stores, 3 in the UK (Boston, Bridgend and Bracknell), and 1 in Ireland (Kilkenny). In addition to this we also relocated the Leeds, Gelderd Road branch to a more prominent location to better service local geographies. At the end of 2015, our Decorating Centre network consisted of 191 stores (either owned or leased). We also advertised the Johnstone's Decorating Centres on TV for the first time.

2015 also saw the continued development of our business in adjacent markets with rapid sales growth in External Wall Insulation and Render Systems along with High Performance Coatings and decorating tools and accessories. All of these business areas continue to support PPG's position as a provider of total coatings solutions to our clients and customers. Continued investment and focus in specification also continues to drive strong returns with PPG now being the coatings supplier of choice with its Johnstone's Trade brand for several main construction companies and architectural practices. Specification will remain a core focus for PPG in the years to come as we drive brand awareness and participation in this critical market segment.

New product development remains integral to our trade strategy and in 2015 we launched a number of new products in both the Johnstone's Trade and Leyland Trade brands. In Johnstone's we launched Silicone Masonry Paint, Quick Drying Polyurethane Flortred and extensions to the Smooth Metal Paint offer. We also expanded the Leyland Trade offer into the specialist coatings and waterproofing categories to further strengthen the product range.

In the retail paint segment, the company continues to perform extremely well in its stockist business through a combination of store expansion activity of key retailers, organic growth and new business won. New business wins in 2015 included a full Johnstone's Retail DIY offer in Woodies, Southern Ireland. The Johnstone's brand was also listed in Argos.

In 2015 we also celebrated the 125th anniversary of the Johnstone's brand and throughout the year held a number of events, celebrations and additional activity to mark this significant milestone. We also commissioned our first ever national TV campaign as part of this programme of activities.

The Johnstone's Paint Trophy continued to build awareness of the Johnstone's brand through completion of its 9th season.

For the Leyland Trade brand we continued our darts player sponsorship programme, sponsoring three professional players including world number one, Michael Van Gerwen.

To further support the growth of the business 2015 saw some significant investment in our manufacturing and logistics facilities. Additional equipment was installed to increase our overall capacity and to increase our manufacturing flexibility and hours of operation.

PPG ARCHITECTURAL COATINGS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Key Performance Indicators

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

	2015	2014	Definition, method of calculation and analysis
Gross profit (%)	51.5%	47.8%	The ratio of gross profit to turnover expressed as a percent. Gross profit percentage is higher due to improved sales volumes coupled with higher selling prices and continued effective cost controls on raw materials.
Return on sales (%)	17.4%	14.2%	Operating profit expressed as a percentage of turnover. The improved sales margins and good cost control has led to an improved return on sales.
Return on Investment capital	23.0%	22.7%	Operating profit expressed as a percentage of net assets.

Strategy

The company continues to pursue its vision 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 segment share supported by excellent people.

Future outlook

Under the ownership of our ultimate parent company, PPG Industries, Inc., we remain fully committed to increasing segment share in 2016 and beyond, in spite of some very tough segment conditions.

Investment in our Decorating Centre network and brands continues to be our focus, to maintain and improve our levels of performance in the future. This strategy is fully supported by PPG Industries, Inc.

On behalf of the board


S Pocock
Director
26 September 2016

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2015.

Results and dividends

The results of the company show a pre-tax profit of £39.1m (2014: £30.8m).

The directors did not pay an interim dividend during the year ended 31 December 2015 (2014: £nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: £nil).

Financial reporting standard 102 (FRS102)

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The impact of this on the company's financial position can be seen in note 19 to the accounts.

Principal risks and uncertainties

The UK market remains susceptible to new entrants as there are low barriers to entry. In order to mitigate this risk, the company maintains a constant focus on innovation and cost management, working closely with customers to identify changing customer requirements to ensure best value. 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, has 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.

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.

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 economic environment.

Directors

The directors of the company, who served for the whole of the year ended 31 December 2015 and up to the date of this report were as follows:

F Parry
G Roebuck
J Metcalf
L Morris
M Baines
P Lafford
P Dowie
R Hemingway
S Pocock
V O'Sullivan

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

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 5 to the financial statements.

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.

Environmental policies

The company continues to develop its sustainability and plans to introduce further improvements in 2016.

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 2015 were equivalent to 90 days purchases (2014: 100 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 £7,888 (2014: £11,980), principally to local charities serving the communities in which the company operates. We also utilise corporate grants for charity and community projects in our region and encourage our employees to provide assistance during working hours. 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

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

S Pocock
Director

26 September 2016

PPG ARCHITECTURAL COATINGS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PPG ARCHITECTURAL COATINGS UK LIMITED

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

Report on the financial statements

Our opinion

In our opinion, PPG Architectural Coatings UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

PPG ARCHITECTURAL COATINGS UK LIMITED

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 7, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

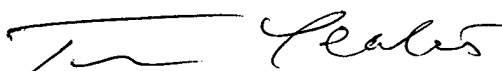
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 September 2016

PPG ARCHITECTURAL COATINGS UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £ 000	2014 £ 000
TURNOVER	3	222,379	214,019
Cost of sales		(107,933)	(111,822)
GROSS PROFIT		114,446	102,197
Distribution & selling costs		(60,493)	(57,318)
Administrative expenses		(15,328)	(14,507)
OPERATING PROFIT	5	38,625	30,372
Interest receivable and similar income	6	560	512
Interest payable and similar charges	7	(117)	(98)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		39,068	30,786
Tax on profit on ordinary activities	8	(5,951)	(6,956)
PROFIT FOR THE FINANCIAL YEAR		33,117	23,830

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.

PPG ARCHITECTURAL COATINGS UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £ 000	2014 £ 000
Profit for the financial year		33,117	23,830
Other comprehensive income			
Remeasurements of net defined benefit obligation	16	504	550
Other comprehensive income for the year, net of tax		<u>504</u>	<u>550</u>
Total comprehensive income for the year		<u><u>33,621</u></u>	<u><u>24,380</u></u>

PPG ARCHITECTURAL COATINGS UK LIMITED

BALANCE SHEET

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	9	279	3,648
Tangible assets	10	<u>18,400</u>	<u>16,488</u>
		<u>18,679</u>	<u>20,136</u>
Current assets			
Stocks	11	16,318	18,342
Debtors	12	190,000	126,487
Cash at bank and in hand		<u>3,589</u>	<u>10,818</u>
		<u>209,907</u>	<u>155,647</u>
Creditors: amounts falling due within one year			
	13	<u>(60,555)</u>	<u>(40,989)</u>
Net current assets		<u>149,352</u>	<u>114,658</u>
Total assets less current liabilities		168,031	134,794
Creditors: amounts falling due after more than one year			
	14	(335)	(335)
Provisions for liabilities	15	-	(384)
Net assets excluding pension asset		<u>167,696</u>	<u>134,075</u>
Pension asset	16	-	-
Net assets including pension asset		<u>167,696</u>	<u>134,075</u>
Capital and reserves			
Called up share capital	17	350	350
Profit and loss account		<u>167,346</u>	<u>133,725</u>
Total shareholders' funds		<u>167,696</u>	<u>134,075</u>

The financial statements of PPG Architectural Coatings UK Limited, registered number 436135, on pages 10 to 26 were approved by the Board of Directors on 26 September 2016 and signed on its behalf by:

S Pocock
Director

PPG ARCHITECTURAL COATINGS UK LIMITED

STATEMENT OF CHANGES IN EQUITY 31 DECEMBER 2015

	Called-up share capital £ 000	Retained Earnings £ 000	Total £ 000
Balance as at 1 January 2014	350	109,345	109,695
Profit for the year	-	23,830	23,830
Other comprehensive income for the year	-	550	550
Total comprehensive income for the year	-	24,380	24,380
Balance at 31 December 2014	350	133,725	134,075
Balance as at 1 January 2015	350	133,725	134,075
Profit for the year	-	33,117	33,117
Other comprehensive income for the year	-	504	504
Total comprehensive income for the year	-	33,621	33,621
Balance at 31 December 2015	350	167,346	167,696

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. ACCOUNTING POLICIES

Basis of preparation

PPG Architectural Coatings UK Limited ('the company') is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business are disclosed on page 2. The company's principal activity is the manufacture and distribution of architectural coatings products to both the trade and retail paint segments.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"). The particular accounting policies adopted are described below. They have been applied consistently in both years. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 19.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Exemptions

The Company's shareholders have been notified of the following exemptions and no objections have been received.

The Company has taken advantage of the exemption from the obligation within Companies Act 2006 section 401 to prepare and deliver group financial statements, as it is a wholly owned subsidiary of PPG Industries Inc., which itself prepares consolidated financial statements which include this entity and which are publicly available. The financial statements present information about the Company as an individual undertaking and not about its Group.

The company is a wholly owned subsidiary undertaking of PPG Industries Inc., which produces a consolidated cash flow statement that is publicly available. In accordance with Financial Reporting Standard 102 (FRS102), the company has taken advantage of the exemption in FRS102 from preparing a cash flow statement.

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 economic environment. The company's parent has provided a letter of support for the period at least 12 months from the date of the audit report sign-off. 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 financial statements on a going concern basis.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

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

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. Geographical analysis of turnover is in note 3.

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.

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.

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.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

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.

Intangibles

Intellectual property rights and investment in an electric substation are amortised on a straight line basis over their estimated useful economic lives of 5 and 20 years respectively. Capitalised software is amortised on a straight line basis over its estimated useful economic live between 3 and 5 years.

Intangibles

Capitalised software is amortised on a straight line basis over its estimated useful economic live between 3 and 5 years.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION OF UNCERTAINTY

Critical accounting judgements and estimation of uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION OF UNCERTAINTY (continued)

(ii) Inventory provisioning

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

3. TURNOVER ANALYSIS BY GEOGRAPHY

	2015 £'000	2014 £'000
United Kingdom	213,615	205,579
Europe	8,764	8,440
Rest of the world	-	-
	<u>222,379</u>	<u>214,019</u>

Turnover relates to sales of architectural coatings products.

4. EMPLOYEES

	2015 £'000	2014 £'000
a) Employment cost of employees:		
Wages and salaries	38,710	38,359
Social security costs	3,639	3,525
Other pension costs (see note 16)	3,086	3,053
	<u>45,435</u>	<u>44,937</u>
	2015 Number	2014 Number
b) The average monthly number of people employed by the company during the year was:		
Production	335	347
Selling and distribution	1,016	1,000
Administration	65	75
	<u>1,416</u>	<u>1,422</u>
c) Directors' Emoluments:		
	2015 £'000	2014 £'000
Fees	1,304	1,536
Other emoluments (including pension contributions and benefits in kind)	242	264
	<u>1,546</u>	<u>1,800</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

4. EMPLOYEES (continued)

d) Directors' Pensions

Five directors are members of the company's defined benefit pension scheme in both years, and five are in the money purchase pension scheme operated by the company.

Highest paid director

The remuneration of the highest paid director, including pension contributions of £28,000 (2014: £26,000), was £261,000 (2014: £362,000).

5. OPERATING PROFIT	2015	2014
	£'000	£'000
Operating profit is arrived at after charging:		
Depreciation of tangible fixed assets - owned	3,142	3,328
Depreciation of tangible fixed assets - leased	18	18
Loss on disposal of fixed assets	(242)	(8)
Amortisation of intangible fixed assets	3,369	3,132
Hire of plant and machinery - operating leases	2,232	2,267
Hire of other assets - operating leases	4,373	4,391
Research and development costs	1,896	2,019
Fees payable to the company's auditors for the audit of the company's annual financial statements	78	76
Taxation services	35	26
6. INTEREST RECEIVABLE AND SIMILAR INCOME	2015	2014
	£'000	£'000
Receivable from group undertakings	560	512
7. INTEREST PAYABLE AND SIMILAR CHARGES	2015	2014
	£'000	£'000
Payable to group undertakings	117	98
8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2015	2014
<u>UK Corporation tax:</u>	£'000	£'000
Current tax on income for the year	(5,598)	(6,248)
Total current tax charge	(5,598)	(6,248)
<u>Deferred tax (see note 15):</u>		
Deferred tax current year	(119)	(430)
Deferred tax prior year	(234)	(278)
Tax on profit on ordinary activities	(5,951)	(6,956)

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2015

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The actual tax charge for the current and the previous year differs from the standard rate of Corporation tax in the UK for the reasons set out in the following reconciliation;

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	39,068	30,786
Current tax 20.25% (2014: 21.5%)	7,911	6,619
<u>Effects of:</u>		
Expenses not deductible for tax purposes	768	868
Imputed interest income	384	363
Pension scheme adjustments	102	118
Group relief claimed for no payment	(3,214)	(1,012)
Total current tax charge (see above)	5,951	6,956

The Corporate tax rate was reduced to 20% with effect from 1 April 2015, and further rate reductions to 19% from 1 April 2017 and then 18% from 1 April 2020 were enacted during 2015. The current tax rate for the year ended 31 December 2015 is therefore 20.25% (2014: 21.50%) and deferred tax has been recognised at 18% (2014: 20%).

The 2016 finance bill further reduced the rate from 1 April 2020 to 17% however, as this legislation was not enacted at the balance sheet date, it is not reflected in the tax balances reflected in these financial statements. It is not expected that this change will have a material effect for the Company.

9. INTANGIBLE FIXED ASSETS

	Computer Software	Trademark Licences	Purchased Goodwill	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 1 January 2015	2,437	38	62,634	65,109
Disposals	(63)	-	-	(63)
At 31 December 2015	2,374	38	62,634	65,046
Accumulated Amortisation				
At 1 January 2015	1,912	38	59,511	61,461
Disposals	(63)	-	-	(63)
Charge for the year	246	-	3,123	3,369
At 31 December 2015	2,095	38	62,634	64,767
Net book value				
At 31 December 2015	279	-	-	279
At 31 December 2014	525	-	3,123	3,648

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

10. TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
Cost			
At 1 January 2015	9,677	73,545	83,222
Additions	372	4,942	5,314
Disposals	(489)	(23,217)	(23,706)
At 31 December 2015	<u>9,560</u>	<u>55,270</u>	<u>64,830</u>
Accumulated depreciation			
At 1 January 2015	3,671	63,063	66,734
Charge for the year	857	2,303	3,160
Disposals	(436)	(23,028)	(23,464)
At 31 December 2015	<u>4,092</u>	<u>42,338</u>	<u>46,430</u>
Net book amount			
At 31 December 2015	<u>5,468</u>	<u>12,932</u>	<u>18,400</u>
At 31 December 2014	<u>6,006</u>	<u>10,482</u>	<u>16,488</u>

The net book amount of tangible fixed assets includes £98,000 (2014: £116,000) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £18,000 (2014: £18,000).

11. STOCKS

	2015 £'000	2014 £'000
Raw materials and consumables	2,277	2,653
Work in progress	323	670
Finished goods	<u>13,718</u>	<u>15,019</u>
	<u>16,318</u>	<u>18,342</u>

There is no material difference between the balance sheet value of stock and their replacement cost. Inventories are stated after provisions for impairment of £2,394,403 (2014: £2,577,491).

12. DEBTORS

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	26,462	22,579
Amounts owed by group undertakings	160,541	99,998
Deferred tax asset (see note 15)	1,274	1,627
Prepayments and accrued income	<u>1,723</u>	<u>2,283</u>
	<u>190,000</u>	<u>126,487</u>

The amount owed by group undertakings are unsecured, interest free and repayable at various dates. Trade debtors includes £215,190 (2014: £19,139) falling due after more than one year. Trade debtors are stated after provisions of impairment of £445,918 (2014: £363,260).

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

13. CREDITORS:

	2015	2014
Amounts falling due within one year	£'000	£'000
Trade creditors	39,890	30,703
Amounts owed to group undertakings	11,691	488
Other taxation and social security	1,187	4,672
Corporation tax	3,222	3,378
Accruals and deferred income	4,565	1,748
	<u>60,555</u>	<u>40,989</u>

The amount owed to group undertakings are unsecured, interest free and repayable at various dates during 2016.

14. CREDITORS:

	2015	2014
Amounts falling due after more than one year	£'000	£'000
Finance lease creditor	<u>335</u>	<u>335</u>

The amount owed to group undertakings are unsecured, interest free and repayable at various dates.

15. PROVISIONS FOR LIABILITIES

	Other provision £'000	Deferred Taxation £'000	Total £'000
At 1 January 2015	384	(1,627)	(1,243)
Charged/(credited) to profit and loss account	(384)	353	(31)
At 31 December 2015	<u>-</u>	<u>(1,274)</u>	<u>(1,274)</u>

Deferred taxation

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

	2015 £'000	2014 £'000
Difference between accumulated depreciation and amortisation and capital allowances	<u>1,274</u>	<u>1,627</u>
Deferred tax asset (see note 12)	<u>1,274</u>	<u>1,627</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.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

16. PENSION COMMITMENTS

The PPG Coatings (AC and PC) Pension Scheme closed to future accrual on the 5 April 2013, and was merged into the PPG Industries (UK) Limited Pension Plan – AC Division, on 6 April 2013 on a sectionalised basis. Upon closure the accrued benefits of active members ceased to be linked to final salary and will instead revalue in deferment broadly in line with increases in the Consumer Price Index ("CPI").

The key financial assumptions used by the actuary were:

	2015 % per annum	2014 % per annum
Inflation for the financial year-Retail Price Index (RPI)	3.15	3.10
Inflation for the financial year-Customer Price Index (CPI)	2.05	2.00
Pension increases (5% LPI)	3.09	3.00
Discount rate for Division liabilities	3.65	3.70

Main Demographic assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements.

	2015 Years	2014 Years
Life expectancy of a male currently aged 65	21.3	21.3
Life expectancy of a female currently aged 65	23.9	23.8
Life expectancy at 65 for male currently aged 45	22.7	22.6
Life expectancy at 65 for female currently aged 45	25.3	25.3

Reconciliation of funded status to balance sheet

	2015 £ 000	2014 £ 000
Fair value of plan assets	163,377	167,850
Present value of funded defined benefit obligations	(143,745)	(138,751)
Funded status, net amount recognised, end of year (before deferred tax)	19,632	29,099
Unrecognised asset	(19,632)	(29,099)
Asset recognised, end of year (after deferred tax)	-	-

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

16. PENSION COMMITMENTS (continued)

When determining the asset recognised on the balance sheet, it has been assumed that the Company is unable to recover the surplus through a refund from the Division in the future.

<i>Amounts recognised in profit and loss account</i>	2015 £'000	2014 £'000
Operating cost:		
Administration expenses	504	550
Actuarial gain recognised in Statement of Comprehensive Income	504	550

Amounts recognised in Statement of Comprehensive Income

	2015 £'000	2014 £'000
Asset (gains)/losses arising during the year	7,272	(29,163)
Liability losses arising during the year	2,759	7,892
Change in the effect of the asset ceiling	(10,535)	20,721
Actuarial gain recognised in Statement of Comprehensive Income	(504)	(550)

Changes to the present value of the division liabilities during the year

	2015 £'000	2014 £'000
Opening defined benefit obligation (DBO)	138,751	127,849
Interest expense on DBO	5,084	5,620
Actuarial loss on liabilities	2,759	7,892
Net benefits paid	(2,849)	(2,610)
Closing defined benefit obligation	143,745	138,751

Changes to the fair value of the division assets during the year

	2015 £'000	2014 £'000
Opening fair value of division assets	167,850	135,859
Interest income on Division assets	6,152	5,988
(Loss)/Gain on Division assets	(7,272)	29,163
Net benefits paid	(2,849)	(2,610)
Administration costs incurred	(504)	(550)
Closing defined benefit obligation	163,377	167,850

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2015

16. PENSION COMMITMENTS (continued)

<i>Analysis return on Division assets</i>	2015	2014
	£'000	£'000
Interest income on Division assets	6,152	5,988
Gain/(loss) on Division assets	(7,272)	29,163
Actual return on Division assets	1,120	35,151
<i>Division assets</i>	2015	2014
	£'000	£'000
Diversified Growth Funds	80,788	75,165
Gilts and bonds	58,459	89,393
Other	24,130	3,292
Combined	163,377	167,850

None of the Division's assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

Group Personal Pension

The company pays contributions to a Group Personal Pension ("GPP") in respect of employees. The company's contributions to the GPP in the year up to 31 December 2015 were £3,087,000 (2013: £3,053,000). There are no contributions unpaid at 31 December 2015.

17. CALLED UP SHARE CAPITAL

	2015	2014
	£'000	£'000
Authorised:		
65,000,000 (2014: 65,000,000) ordinary shares of £1 each	65,000	65,000
Allotted, issued and fully paid:		
350,000 (2014: 350,000) ordinary shares of £1 each	350	350

18. COMMITMENTS

	2015	2014
	£000	£000
a) Future capital expenditure		
Contracted for, but not provided in the financial statements	1,400	1,490
b) Leasing commitments		
The company had the following future minimum lease payments under non- cancellable operating leases for each of the following periods:		
Land and building payments due:	2015	2014
	£'000	£'000
within 1 year	4,117	4,245
between 1 and 2 years	3,638	3,910
between 2 and 5 years	7,551	8,851
beyond 5 years	7,280	8,316
	22,586	25,322

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

18. COMMITMENTS (continued)

	2014 £'000	2014 £'000
Plant and motor vehicles payments due:		
within 1 year	1,408	1,516
between 1 and 2 years	431	1,124
between 2 and 5 years	720	996
beyond 5 years	58	147
	<u>2,617</u>	<u>3,783</u>

19. TRANSITION TO FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

<i>Profit for the financial year</i>		2014 £ 000
UK GAAP – As previously reported		24,380
Defined Benefit pension scheme	A	<u>(550)</u>
Total adjustment to profit before tax for the financial year		(550)
Deferred tax impact of adjustments	B	
Defined Benefit pension scheme		<u>-</u>
Total adjustment to tax expense		-
Total adjustment to profit for the financial year		<u>(550)</u>
Restated profit for the financial year		<u>(23,830)</u>

A. Defined benefit pension scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to reduce the credit to the profit and loss account by £550,000 and increase the credit in other comprehensive income by an equivalent amount.

B. Deferred taxation

The company has accounted for deferred taxation on transition as follows:

- a) Deferred taxation has been recognised accordingly on the movement in pension through the restated profit and other comprehensive income.

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have no effect on net equity or profit and loss account but which have affected the presentation of these items on the balance sheet. The main items are:

- a) Computer software, with a net book value of £525,000 at 1 January 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2015

20. ULTIMATE PARENT UNDERTAKING

The immediate parent company 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.