

Company Registration No 436135

PPG ARCHITECTURAL COATINGS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

THURSDAY



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PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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PPG ARCHITECTURAL COATINGS UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

Directors

F Parry
S Pocock
R Hemingway
G Roebuck
M Hollingworth
J Metcalf
V O'Sullivan
P Lafford

Registered Office

Huddersfield Road
Birstall
Batley
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

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
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 2011.

Principal activities and business review

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

The market remains highly competitive. The trade paint market showed a slight increase in volume in 2011, recovering from the significant falls seen in 2009; the retail paint market proved tougher, showing a fall. PPG sales performed well, despite the loss of sales due to the demise of 'Focus DIY' for whom PPG was a supplier. However a significant proportion of the 'lost' sales have been picked up by other PPG stockist customers with the overall result being that PPG gained market share in both volume and value terms. The company continues to perform particularly well in the 3rd party stockist sector with store expansion activity of key retail customers assisting the growth in sales.

The cost of manufacture of paint products has been significantly affected by high increases in costs of raw materials – particularly Titanium Dioxide, an essential product used in the manufacture of paint products. The increase in raw material costs were partly offset by increases in selling prices.

PPG has continued to invest in New Product Development, particularly with the 'Johnstone's Trade' brand. 2011 launches have included Johnstone's 'Endura' Super Durable Matt, which gives market-leading durability and performance and Johnstone's Anti-Slip Flortred which limits the risk of slip on indoor floors. In addition, products have been launched under the 'Leyland Trade' brand such as Leyland Fast Drying Gloss, Satin and Undercoat satisfying a market need for these water-based products.

Further Johnstone's paint products have been awarded the coveted EU 'Ecolabel' accreditation in recognition of their environmental credentials and have been brought under the PPG Global banner of 'Ecological Solutions from PPG™'. There are now 13 products which have been awarded the 'Ecolabel' accreditation.

The PPG 'Fat Hog' branded range of decorating sundries now encompasses the majority of non-paint products required by decorators and gives the network of Decorating Centres a full sundries offering exclusively under one brand.

The Johnstone's Paint Trophy continued to build awareness of the Johnstone's brand through completion of its 5th season. The competition, for English League 1 and League 2 sides, culminated in the final at Wembley Stadium in April 2011. PPG successfully negotiated a 3-year extension to the sponsorship of the Johnstone's Paint Trophy with the Football League and as a consequence will become longest running sponsor of the competition.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Continued)

Principal activities and business review (continued)

The PPG network of Decorating Centres continues to be developed using geographic mapping tools in the assessment of the viability of existing stores and suitable locations for new outlets. At the end of 2011 there were 192 outlets in the owned Decorating Centre network across the UK and Ireland. With a mix of "Johnstone's" and "Johnstone's Leyland" branding, a re-branding exercise of the network is underway to standardise the full network under the "Johnstone's Decorating Centre" name. At the end of 2011 a large number of the 192 Decorating Centres had been converted to "Johnstone's".

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. 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 accounts on a going concern basis.

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 £1.5m (2010: £0.3m)

The directors did not pay an interim dividend during the year ended 31 December 2011 (2010: £nil)

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2011 (2010: £nil)

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Continued)

Future outlook

Under the ownership of PPG industries Inc we expect to remain competitive and increase market share in 2012 and beyond, despite the extremely tough and hyper competitive market 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 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.

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.

	2011	2010	Definition, method of calculation and analysis
Gross profit (%)	39.1%	37.6%	The ratio of gross profit to sales expressed as a percentage. Despite pressure on sales the gross profit percentage has improved due to effective cost controls on raw materials coupled with improved selling prices.
Return on sales (%)	0.6%	(0.4%)	Operating profit / (loss) expressed as a percentage of sales. The improved sales margins has driven the improvement in operating profit.
Return on Investment capital	1.1%	(0.9%)	Operating profit/ (loss) expressed as a percentage of net assets. The improved sales margin in the profit and loss coupled with the rise in value of the pension asset has given led to the positive return on capital compared to last year.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Continued)

Directors

The directors of the company, who served for the whole of the year ended 31 December 2011 and up to the date of this report, except where stated, were as follows:

F Parry
S Pocock
R Hemingway
G Roebuck
M Hollingworth
J Metcalf
V O'Sullivan
P Lafford

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

Environmental policies

The company continues to develop its sustainability and plans to introduce further improvements in 2011.

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 2011 were equivalent to 86 days purchases (2010: 79 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 £19,750 (2010: £16,554), principally to local charities serving the communities in which the company operates. The company made no political contributions.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Continued)

Statement of disclosure of information to auditor

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 auditor is 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 auditor is 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

Auditor

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 10 April 2005 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditor



F Parry
Director

25 September 2012

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 AUDITOR'S 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 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 20. 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 auditor's 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 auditor

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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 AUDITOR'S 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 , F.C A (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

26 September 2012

PPG ARCHITECTURAL COATINGS UK LIMITED

PROFIT AND LOSS ACCOUNT

Year Ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover		181,495	173,492
Cost of sales	3	(110,452)	(108,321)
Gross profit		71,043	65,171
Net operating expenses	3	(69,992)	(65,897)
Operating profit / (loss)	4	1,051	(726)
Interest receivable and similar income	5	914	1,587
Interest payable and similar charges	6	(785)	(420)
Other finance income / (costs)	7	327	(183)
Profit on ordinary activities before taxation		1,507	258
Tax on ordinary activities	8	3,068	1,251
Profit for the financial year	18	4,575	1,509

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 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		4,575	1,509
Actuarial gain on defined benefit scheme	16	14,455	3,341
Deferred tax associated with actuarial gain	15	(3,614)	(902)
Total recognised gains for the year		15,416	3,948

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £'000	2010 £'000
Profit for the financial year	4,575	1,509
Actuarial gain on defined benefit scheme	14,455	3,341
Deferred tax associated with actuarial gain	(3,614)	(902)
Net addition to shareholders' funds	15,416	3,948
Opening shareholders' funds	84,391	80,443
Closing shareholders' funds	99,807	84,391

PPG ARCHITECTURAL COATINGS UK LIMITED

BALANCE SHEET

At 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	9	12,519	15,651
Tangible assets	10	<u>16,706</u>	<u>16,431</u>
		<u>29,225</u>	<u>32,082</u>
Current assets			
Stocks	11	24,961	20,273
Debtors	12	91,736	99,177
Cash at bank and in hand		<u>2,107</u>	<u>193</u>
		<u>118,804</u>	<u>119,643</u>
Creditors: amounts falling due within one year	13	<u>(60,238)</u>	<u>(67,317)</u>
Net current assets		<u>58,566</u>	<u>52,326</u>
Total assets less current liabilities		87,791	84,408
Creditors: amounts falling due after one year	14	(351)	(351)
Provisions for liabilities	15	<u>(346)</u>	<u>(779)</u>
Net assets excluding pension asset		87,094	83,278
Pension asset	16	<u>12,713</u>	<u>1,113</u>
Net assets including pension asset		<u>99,807</u>	<u>84,391</u>
Capital and reserves			
Called-up share capital	17	350	350
Profit and loss account	18	<u>99,457</u>	<u>84,041</u>
Equity shareholders' funds		<u>99,807</u>	<u>84,391</u>

These financial statements of PPG Architectural Coatings UK Limited, registered number 436135, were approved by the Board of Directors on 25 September 2012 and signed on its behalf by



F Parry
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 2011

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. 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 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 2011

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 2011

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 2011

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

	2011 £'000	2010 £'000
a) Employment cost of employees		
Wages and salaries	37,150	37,998
Social security costs	3,128	3,048
Other pension costs (see note 16)	4,531	4,502
	<u>44,809</u>	<u>45,548</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. EMPLOYEES (Continued)

	2011 Number	2010 Number
b) The average monthly number of people employed by the company during the year was:		
Production	414	437
Selling and distribution	1,180	1,160
Administration	95	95
	<u>1,689</u>	<u>1,692</u>
c) Directors' Emoluments	2011 £'000	2010 £'000
Fees	786	475
Other emoluments (including pension contributions and benefits in kind)	167	61
	<u>953</u>	<u>536</u>
d) Directors' Pensions		

Five directors are members of the company's defined benefit pension scheme in both years, and two 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 £25,000 (2010: £21,000), was £170,000 (2010: £239,000).

3. COST OF SALES AND NET OPERATING EXPENSES

	2011 £'000	2010 £'000
Cost of sales	<u>110,452</u>	<u>108,321</u>
Net operating expenses		
Administrative expenses	12,440	10,878
Selling and distribution costs	<u>57,552</u>	<u>55,019</u>
Total net operating expenses	<u>69,992</u>	<u>65,897</u>

4. OPERATING PROFIT / (LOSS)

	2011 £'000	2010 £'000
Operating profit / (loss) is arrived at after charging:		
Depreciation of tangible fixed assets - owned	3,513	3,434
Depreciation of tangible fixed assets - leased	18	18
Profit on disposal of fixed assets	(16)	(16)
Amortisation of intangible fixed assets	<u>3,132</u>	<u>3,132</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

4. OPERATING PROFIT / (LOSS) (Continued)	2011	2010
	£'000	£'000
Hire of plant and machinery - operating leases	2,824	2,298
Hire of other assets - operating leases	4,665	4,534
Research and development costs	1,185	1,151
Fees payable to the company's auditor for the audit of the company's annual accounts	60	65
Total audit fees	60	65
Taxation services	30	30
Total non-audit fees	30	30
5. INTEREST RECEIVABLE AND SIMILAR INCOME	2011	2010
	£'000	£'000
Receivable from group undertakings	914	1,587
6. INTEREST PAYABLE AND SIMILAR CHARGES	2011	2010
	£'000	£'000
Payable to group undertakings	785	420
7. OTHER FINANCE INCOME / (COSTS)	2011	2010
	£'000	£'000
Expected return on pension scheme assets	5,402	4,749
Interest on pension scheme liabilities	(5,075)	(4,932)
	327	(183)
8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2011	2010
	£'000	£'000
<u>UK Corporation tax:</u>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	(3,161)	(100)
Total current tax credit	(3,161)	(100)
<u>Deferred tax (see note 15)</u>		
Deferred tax current year	(278)	-
Deferred tax prior year	371	(1,151)
Tax on profit on ordinary activities	(3,068)	(1,251)

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

<u>Factors affecting the tax charge for the current year</u>	2011 £'000	2010 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	1,507	258
Current tax at 26.5% (2010: 28.0%)	399	72
<u>Effects of:</u>		
Expenses not deductible for tax	1,100	1,212
Imputed interest income	323	-
Adjustments in respect of prior years	(3,161)	(100)
Pension scheme adjustments	(257)	-
Depreciation in excess of capital allowances	923	(556)
Group relief (claimed)/surrendered for no payment	(2,488)	(728)
Total current tax (credit)/charge (see above)	(3,161)	(100)

On 21 March 2012 the Government announced that the main rate of Corporation Tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reduction to 23% with effect from 1 April 2013. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements.

Previously on 23 March 2011 the government announced the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011 with a further 1% reduction to 25% with effect from 1 April 2012. The 25% tax rate was substantively enacted on 5 July 2011 and has been reflected in these financial statements.

9. INTANGIBLE FIXED ASSETS

	Trademark licences £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2011 and at 31 December 2011	38	62,634	62,672
Amortisation			
At 1 January 2011	38	46,983	47,021
Charge for the year		3,132	3,132
At 31 December 2011	38	50,115	50,153
Net book value			
At 31 December 2011	-	12,519	12,519
At 31 December 2010	-	15,651	15,651

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

10. TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
Cost			
At 1 January 2011	4,359	68,358	72,717
Additions	929	2,892	3,821
Disposals	-	(418)	(418)
At 31 December 2011	<u>5,288</u>	<u>70,832</u>	<u>76,120</u>
Depreciation			
At 1 January 2011	1,428	54,858	56,286
Charge for the year	365	3,166	3,531
Disposals	-	(402)	(402)
At 31 December 2011	<u>1,793</u>	<u>57,622</u>	<u>59,415</u>
Net book amount			
At 31 December 2011	<u>3,495</u>	<u>13,210</u>	<u>16,705</u>
At 31 December 2010	<u>2,931</u>	<u>13,500</u>	<u>16,431</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

10. TANGIBLE FIXED ASSETS (continued)

The net book amount of tangible fixed assets includes £170,000 (2010 £188,000) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £18,000 (2010 £18,000).

11. STOCKS	2011	2010
	£'000	£'000
Raw materials and consumables	6,009	4,184
Work in progress	1,274	966
Finished goods	17,678	15,123
	<u>24,961</u>	<u>20,273</u>

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

12. DEBTORS	2011	2010
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	22,112	17,240
Amounts owed by group undertakings	64,984	76,710
Deferred tax asset (see note 15)	2,461	2,343
Prepayments	2,179	2,884
	<u>91,736</u>	<u>99,177</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2011	2010
	£'000	£'000
Trade creditors	26,038	23,556
Amounts owed to group undertakings	29,286	36,070
Corporation tax payable	-	3,049
Other taxes and social security	734	1,882
Accruals and deferred income	4,180	2,760
	<u>60,238</u>	<u>67,317</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2011	2010
	£'000	£'000
Finance lease creditor	351	351

15. PROVISIONS FOR LIABILITIES	Other provision	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 January 2011	779	(1,930)	(1,151)
Charged to profit and loss account	-	93	93
Utilised in the year	(433)	-	(433)
Charged to the statement of total recognised gains and losses	-	3,614	3,614
At 31 December 2011	<u>346</u>	<u>1,777</u>	<u>2,123</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

15. PROVISIONS FOR LIABILITIES (continued)

Other provision

This is the second year of a three year 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 next year. The directors have not used discounting as this would not give rise to a materially different result.

Deferred taxation

The deferred tax (liability) / asset at 31 December can be analysed as follows

	2011 £'000	2010 £'000
Difference between accumulated depreciation and amortisation and capital allowances	2,461	2,342
Deferred tax asset (see note 12)	2,461	2,342
Deferred tax liability on pension asset (see note 16)	(4,238)	(412)
	<u>(1,777)</u>	<u>1,930</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 PPG Coatings (AC and PC) Pension Scheme, formerly 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 2011 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.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

16. PENSION COMMITMENTS (continued)

Over 95% of the liabilities of the PPG Coatings (AC and PC) Pension Scheme 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.

The major assumptions used by the actuary were

	2011	2010	2009
Discount rate	4.8%	5.5%	5.6%
Expected return on scheme assets	4.2%	5.6%	5.6%
Rate of increase in salaries	3.7%	4.1%	3.7%
Rate of increase in future pensions in payment – where relating to increases in the Retail Prices Index (RPI) with a maximum of 5% pa	3.0%	3.4%	3.4%
Rate of increase in deferred pensions	2.2%	3.6%	3.2%
RPI inflation assumption	3.2%	3.6%	3.2%
CPI inflation assumption	2.2%	N/A	N/A

Mortality	2011	2010
Retiring today – Males	85.8	85.7
- Females	87.8	87.7
Retiring in 15 years - Males	86.9	86.8
- Females	89.0	88.9

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

	% at 2011	Value at 2011 £'000	% at 2010	Value at 2010 £'000	% at 2009	Value at 2009 £'000
Equities	20%	23,666	24%	23,341	23%	19,512
Bonds	79%	96,362	69%	66,099	76%	63,622
Cash	1%	477	7%	6,237	1%	583
Total market value of assets	100%	120,505	100%	95,677	100%	83,717
		<u>2011</u> £'000		<u>2010</u> £'000		<u>2009</u> £'000
Fair value of assets		120,505		95,677		83,717
Pension liability		(103,554)		(94,152)		(85,601)
Overall surplus/(deficit) in scheme		16,951		1,525		(1,884)
Related deferred tax (liability) / asset		(4,238)		(412)		527
Net pension asset / (liability)		<u>12,713</u>		<u>1,113</u>		<u>(1,357)</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

16. PENSION COMMITMENTS (continued)

Balance sheet presentation	2011 £'000	2010 £'000
Net assets excluding pension asset	87,094	83,278
Pension asset	12,713	1,113
Net assets including pension asset	<u>99,807</u>	<u>84,391</u>
 Profit and loss reserve excluding pension asset	 86,744	 82,928
Pension asset	12,713	1,113
Profit and loss reserve including pension asset	<u>99,457</u>	<u>84,041</u>
 Analysis of amount charged to operating profit	 2011 £'000	 2010 £'000
Current service cost	<u>3,779</u>	<u>3,648</u>
Analysis of amount credited to other finance income		
Expected return on pension scheme assets	5,402	4,749
Interest on Pension scheme Liabilities	<u>(5,075)</u>	<u>(4,932)</u>
Net return	<u>327</u>	<u>(183)</u>
 Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	17,026	5,541
Experience Gains and Losses arising on the scheme liabilities	2,692	2,746
Changes in assumptions underlying the present value of the scheme liabilities	<u>(5,263)</u>	<u>(4,947)</u>
Actuarial gain recognised in STRGL	<u>14,455</u>	<u>3,340</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.

Reconciliation of the present value of the defined benefit obligation

	2011 £'000	2010 £'000
Present value of defined benefit obligation at beginning of the year	94,152	85,601
Current service cost	3,779	3,648
Interest cost	5,075	4,933
Members contributions	66	70
Actuarial loss	2,571	2,200
Benefits paid	<u>(2,089)</u>	<u>(2,300)</u>
Present value of defined benefit obligation at end of the year	<u>103,554</u>	<u>94,152</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

16. PENSION COMMITMENTS (continued)

Reconciliation of fair value of scheme assets	2011 £'000	2010 £'000
Fair value of scheme assets at beginning of the year	95,677	83,717
Expected return on scheme assets	5,402	4,749
Actuarial gain on scheme assets	17,026	5,541
Contributions by the company	4,423	3,900
Member contributions	66	70
Benefits paid	(2,089)	(2,300)
Present value of defined benefit obligation at end of the year	<u>120,505</u>	<u>95,677</u>

Summary of the movement in deferred tax on the net pension asset:

	2011 £'000	2010 £'000
Brought forward 1 January	(412)	527
Debited through statement of total recognised gains and losses	(3,614)	(902)
Debited through the profit and loss account	(150)	(37)
Deferred tax at 31 December	<u>(4,238)</u>	<u>(412)</u>

Details of experience gains and losses for the years to 31 December 2011, 31 December 2010, 31 December 2009 and 31 December 2008 and 31 December 2007

	2011 £,000	2010 £,000	2009 £,000	2008 £,000	2007 £,000
Fair value of assets	120,505	95,677	83,717	76,827	67,107
Pension Liability	<u>(103,554)</u>	<u>(94,152)</u>	<u>(85,601)</u>	<u>(56,941)</u>	<u>(64,497)</u>
Overall surplus / (deficit) in scheme	<u>16,951</u>	<u>1,525</u>	<u>(1,884)</u>	<u>19,886</u>	<u>2,610</u>

Difference between the expected and actual return on scheme assets

Amount (£'000)	17,026	5,541	15	3,156	2,015
Experience gains and losses on scheme liabilities					
Amount (£'000)	2,692	2,746	(985)	(2,591)	563

The companies best estimate of contributions for 2012 are £5,200,000 by the employer and £70,000 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 2011 were £751,867 (2010 £853,470). There are no contributions unpaid at 31 December 2011.

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

16. PENSION COMMITMENTS (continued)

On 8 July 2010, the UK Minister for Pensions announced the UK Government's intention to move to using CPI rather than RPI as the inflation measure for determining the minimum pension increases to be applied to the statutory index-linked features of retirement benefits. In December 2010 the Urgent Issues Task Force of the UK Accounting Standards Board published an abstract in relation to the accounting implications of this change under FRS 17 Retirement Benefits

Following discussions with the trustees of the pension scheme regarding the underlying nature of the inflation measure applicable under the rules of the scheme, the company has adopted the CPI measure, and the scheme rules have been amended to reflect this

17. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised 65,000,000 ordinary shares of £1 each	<u>65,000</u>	<u>65,000</u>
Allotted, issued and fully paid 350,000 ordinary shares of £1 each	<u>350</u>	<u>350</u>

18. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2011	84,041
Profit for the financial year	4,575
Actuarial gain in defined benefit pension plan	14,455
Deferred tax re actuarial gain	(3,614)
Closing balance at 31 December 2011	<u>99,457</u>

19. COMMITMENTS

	2011 £000	2010 £000
a) Future capital expenditure Contracted for, but not provided in the accounts	<u>221</u>	<u>313</u>
b) Leasing commitments The annual commitment under operating leases are analysed according to the period in which each lease expires, as follows		
Land and building leases expiring:	2011 £'000	2010 £'000
within 1 year	424	622
between 1 and 2 years	287	439
between 2 and 5 years	1,152	570
beyond 5 years	<u>2,813</u>	<u>2,912</u>
	<u>4,676</u>	<u>4,543</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

19. COMMITMENTS (Continued)

Plant and motor vehicles leases expiring	2011 £'000	2010 £'000
within 1 year	1,033	450
between 1 and 2 years	337	794
between 2 and 5 years	839	1,115
	<u>2,209</u>	<u>2,359</u>

20. 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