

Registration number: 00436135

PPG Architectural Coatings UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



PPG Architectural Coatings UK Limited

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PPG Architectural Coatings UK Limited

Officers and Professional Advisers

Directors	M Baines J Metcalf L Morris A Sindhar S Pocock G Roebuck M Zwart
Registered office	Huddersfield Road Birstall Batley West Yorkshire WF17 9XA
Solicitors	Walker Morris Kings Court 12 King Street Leeds United Kingdom LS1 2HL
Bankers	BNP Paribas Fortis Bank S.A.-N.V. 10 Harewood Avenue London United Kingdom NW1 6AA National Westminster Bank Plc 250 Bishopsgate London EC2M 3UR
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds United Kingdom LS1 4DL

PPG Architectural Coatings UK Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is that of manufacturing and distribution of architectural coatings products to both the trade and retail paint segments. Both paint segments continue to remain highly competitive environments. We continue to see new entrants to the market from smaller niche businesses and competition remains strong.

In the trade paint segment we continued the strategic review of our Johnstone's Decorating Centre network and as a result during 2020 we exited our Hampstead, Hillingdon, Enfield, Blackpool Mowbray Drive and Great Yarmouth stores. At the end of 2020, our Decorating Centre network consisted of 186 stores.

New Product Development remains integral to our strategy and in 2020, we launched a number of new innovations into our brands. In Johnstone's Trade, we launched AquaGuard and continued to roll out the global PPG trend-led Colour Palette 'Voice of Colour'. We also launched a new Anti-Bacterial Paint into our Johnstone's Retail brand and Smart Matt and Multi Surface Paints into Leyland Trade.

We continue to develop our business in adjacent markets with further sales growth in External Wall Insulation and Render Systems along with Performance Coatings and decorating tools and accessories. We remain focused on being the provider of total coatings solutions to our clients and customers, and invest to drive brand awareness and participation in these markets.

The retail business remains extremely competitive. We have increased our retail brand presence with key customers whilst continuing to grow our Trade brand distribution through strategic partners.

We continue to make significant investment in our manufacturing and logistics facilities. Our investment is focused to adapt to market demands and increase our overall capacity and flexibility.

Information relating to future developments can be seen in the directors report.

Strategy

The company's strategy is to provide market leading innovative coatings and the highest levels of customer service to its chosen customers, all delivered by engaged, excellent people who live the PPG values. This will help PPG to deliver its primary objective of achieving sustainable and attractive rates of growth and return principally through organic market share growth.

Fair review of the business

The annual report and financial statements show the company's financial position at the end of the year. The net assets of the Company at the end of the year are £238.1m (2019: £192.6m).

The results of the company show a pre-tax profit of £57.7m (2019: £40.7m).

The directors did not pay an interim dividend during the year ended 31 December 2020 (2019: £nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: £nil).

PPG Architectural Coatings UK Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Fair review of the business (continued)

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Gross Profit	%	45.20	45.30
Return on Sales	%	19.50	15.00
Return on Investment Capital	%	23.60	20.40

Gross profit is the ratio of gross profit to turnover expressed as a percentage. Within the competitive market, our aim is to offset pressure on price by manufacturing and purchasing initiatives.

Return on sales is the operating profit expressed as a percentage of turnover. We maintain our cost control in a competitive market and work towards delivering improved ROS.

Return on investment capital is the operating profit expressed as a percentage of net assets. Amount of net assets increased mainly due to movement in inter-company loans and fixed asset additions.

Principal risks and uncertainties

The company maintains a constant focus on innovation, supply chain investment 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.

In 2020, the Company has been impacted in the short term by the unprecedented events of the Covid-19 pandemic. Despite the challenging circumstances and temporary disruption, the implementation of increased safety measures and strict social distancing practices have allowed us to remain operational.

As we continue to come out of the crisis, the Company is well placed to recover from the short term impact of the pandemic and remains in a strong position going forwards.

PPG Architectural Coatings UK Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Section 172(1) statement

The directors of the Company are required to act and carry out their activities which would be most likely to promote the success of the Company for the benefit of its shareholders, employees and stakeholders, and taking into account the factors as listed in section 172 a) - f) of the Companies Act 2006.

We intensified our focus on the key cultural attributes, behaviours and action that will propel the long-term success of the company. PPG's greatest strength is its people. The Company has embarked on a journey to define and enhance PPG's culture and employee engagement efforts. The PPG Global Code of Ethics is located at <http://corporate.ppg.com/Our-Company/Ethics.aspx>.

PPG's culture of continuous improvement also underpins our approach and commitment to sustainable operations. Whether it is increasing the efficiency of our operations or developing our people, our improvement efforts naturally extend to many areas that affect our sustainability performance. The PPG 2020 sustainability report is located at <https://sustainability.ppg.com/>.

The Company has opportunities every day to create more value and fully leverage our scale for the benefit of our shareholder, customers and employees.

Further details of our engagement with employees, customers and suppliers are given in the directors report.

Environmental matters

At PPG we are committed to using resources efficiently to preserve and protect the environment in which we operate. To support this we have a programme of continuous improvement aimed at reducing our impact on the environment every year.

We established a new set of environmental sustainability goals in 2016 to better represent the sustainability challenges we currently face. We measure intensity and other calculated rates rather than absolute numbers to account for year-to-year variations in production volume and company growth, which could mask progress or slippage against the goals.

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 2020 were equivalent to 145 days purchases (2019: 108 days), based on the average daily amount invoiced by suppliers during the year. We utilize the supply chain finance services of BNP Paribas to extend our payment terms but without detriment to our suppliers.

Approved by the Board on 27 August 2021 and signed on its behalf by:



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S Pocock
Director

PPG Architectural Coatings UK Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

M Baines

P Dowie (resigned 8 January 2021)

J Metcalf

L Morris

A Sindhar

S Pocock

G Roebuck

The following director was appointed after the year end:

M Zwart (appointed 1 June 2021)

Political donations and charitable contributions

During the year the company made donations of £4,847 (2019:£19,766), 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.

Local charities serving the communities in which we operate

£
4,847

Employees

Employment of disabled persons

The company operates non-discriminatory employment policies and does not discriminate on any grounds including age, race, religion, sex or disability. Applications for employment are always fully considered bearing in mind the aptitudes of the applicant concerned.

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.

PPG Architectural Coatings UK Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Employees (continued)

Engagement with employees

The directors deliver a well-structured programme of engagement with employees and includes the following:

The Company works to attract and retain a diverse workforce and invests in employee development and wellbeing.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors concerning the performance of the company. This is achieved through regular meetings and newsletters.

The Company encourages employees to share their ideas and views in developing the Company's business and enhancing its performance and conducts employee engagement surveys, which provides management with their thoughts and feelings and allows focus on matters needing change, development or improvement.

Employee 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.

The Company provides an environment to facilitate the professional development of its employees and thereby encourage their contribution to the success of the company. The Company places a considerable value on the personal training and development of its employees.

The Company provides an Ethics helpline for anonymous reporting of concerns over ethical/behavioural matters. This gives employees the opportunity to inform the business of things that concern them and allows the business to formally investigate any issues.

Engagement with suppliers, customers and other relationships

The Company remains steadfast in the commitment to develop innovative products and solutions that create value for our customers, empower our people to grow and succeed, operate our business safely and effectively and deliver value to our shareholders – growing sales and earnings consistently to deliver superior returns.

The Company has intimate knowledge of the market and customers and continually engages with its customers in a number of ways in order to receive feedback on the service including surveys, customer marketing and communications. By fostering long-term customer relationships, delivering high service levels and expanding strategic partnerships we aim to become the preferred supplier.

The Company develops close working relationships with the key suppliers in order to safeguard raw material and other supplies.

The Company remains committed through its global Colourful Communities program and bringing to life the purpose of protecting and beautifying the communities around the world. In addition, the Company supports employees to make a difference to a local charity that matters to them through a matched fundraising policy.

PPG Architectural Coatings UK Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Environmental report

Governance

In line with the UK Government's policy on Streamlined Energy and Carbon Reporting (SECR), the Company is required to report annual energy use and associated greenhouse emissions. This includes emissions relating to gas, electricity and transport fuel use as well as an intensity ratio and information relating to energy efficiency action.

Strategy

The Natural Resources and Climate Change Subcommittee of PPG's corporate Sustainability Committee oversees our energy-reduction strategy and actions. Key initiatives include creating a culture of energy conservation through communication and awareness building; developing energy management requirements based on ISO 50001 identifying and focusing resources on locations with the highest energy use; and increasing our use of renewable energy.

Activities and investments PPG is undertaking are related to replacing equipment, such as boilers, chillers and air compressors, in all of our operations. We are undertaking these replacements over time to optimize the impact, focusing on priority sites based on improvement opportunities and resources required to achieve those reductions.

Risk management

In the UK, the vast majority of our coatings are produced at ambient temperatures and pressures, meaning the production processes are not energy intensive. The milling step is the most energy intensive, and PPG is therefore focused on making this step more energy efficient. We are also shortening cycle times and making other changes to reduce the energy required to manufacture our resins, which we typically produce in reactors that may require heating or cooling.

At our plants an energy reduction programme was initiated in 2017 where energy consumption was studied and inputs identified. Following this improvement projects were identified. Over the last 3 years LED lighting was installed in over 75% of the factory and warehouse with motion and daylight sensors in some areas. A system for compressed air management including in house identification of compressed air leaks was implemented. This has led to significant reductions in energy intensity with an overall reduction in energy intensity from 0.42 in 2017 to 0.33 in 2020.

PPG Architectural Coatings UK Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Metrics and Targets

In 2019, we drafted new energy management requirements for all locations globally that were implemented in 2020. Key requirements are:

- Identification and characterization of energy usage;
- Identification and documentation of all regulatory requirements for energy usage;
- Compliance with all regulatory requirements;
- Documented operational practices to reduce energy consumption, including identification of equipment with high energy use, a written preventative maintenance program and energy-reduction practices;
- Training on energy use and minimization; and
- Documentation and records pertaining to energy usage.

These efforts are supported by an internal online site for sharing energy management training documentation, tools, resources and best practices.

PPG has two long-term energy goals:

- Reduce energy consumption intensity by 15% by 2025 from a 2017 baseline.
- Increase renewable energy to 25% of total electricity usage exclusive of GHG reductions by 2025.

Emissions and energy consumption

Data on stationary sources including gas combustion have been gathered primarily via invoices and externally provided data on gas use across PPG's UK business units. The data were provided in kWh.

Data on the smaller quantities of gas oil/heating oil used at individual sites have been gathered from delivery notes and converted to kWh using the conversion factors contained in the UK Government's GHG Conversion Factors for Company Reporting 2020.

Electricity data has been gathered from invoices or from external sources monitoring electricity usage across PPG's UK factory and decorating centres. These data are in kWh. Carrickfergus warehouse consumption was calculated from a monthly invoice in £ using a price conversion with the assumption that the costs of electricity would be the same as the average at the Birstall plant.

Data on mobile sources (transport) have been gathered from various different sources including fuel card reports, extracts from personal expense claims and business/site level records of mileage and converted to kWh using the factors provided in the UK Government's GHG Conversion Factors for Company Reporting 2020.

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2020:

Name and description	Unit of measurement	2020	2019
Gas Combustion	kWh	21,233,307	-
Transport	kWh	13,645,316	-
Electricity	kWh	10,195,715	-
Emissions from combustion of fuel & operation of facilities	tCO ₂ e	6,967	-
Emissions from purchased energy	tCO ₂ e	9,344	-

Emission intensity (tCO₂e per 1000 tonne production) for 2020: 0.0989.

The information provided above fulfils this requirement for the period 1 January to 31 December 2020. This reporting period forms the first reporting year. In subsequent years a comparison to previous reporting years will be included.

PPG Architectural Coatings UK Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Future developments

Under the ownership of our ultimate parent company, PPG Industries, Inc., we remain fully committed to increasing segment share in 2020 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.

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 within note 5 of the financial statements.

Going concern

The directors have considered a going concern assessment of the group of which the company is part, headed by PPG Industries, Inc., in order to conclude on the appropriateness of the application of the going concern presumption in preparing these financial statements. In reviewing that assessment, the directors have taken into account the possible worst case scenario impact of the global Covid-19 pandemic on the group's trading performance and outlook. Those forecasts have been compared with the group's current and forecast liquidity position over that period, which incorporates their inclusion in the group cash pool and their ability to draw down on additional funds if required. As a result of the assessment performed the directors have a reasonable expectation that the group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and therefore continue to apply the going concern presumption in their preparation.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of 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.

Approved by the Board on 27 August 2021 and signed on its behalf by:

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S Pocock
Director

PPG Architectural Coatings UK Limited

Statement of Directors' Responsibilities

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

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

PPG Architectural Coatings UK Limited

Independent Auditors' Report to the Members of PPG Architectural Coatings UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, PPG Architectural Coatings UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions related to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

PPG Architectural Coatings UK Limited

Independent Auditors' Report to the Members of PPG Architectural Coatings UK Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PPG Architectural Coatings UK Limited

Independent Auditors' Report to the Members of PPG Architectural Coatings UK Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety regulations under the Health and Safety at work etc Act 1974, tax legislation and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance and management bias in determining significant accounting estimates that could influence reported performance. Audit procedures performed by the engagement team included:

- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management in the development of each estimate;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations or unusual words or phrases in the journal description; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Other required reporting

Companies Act 2006 exception reporting

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

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

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)



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Tom Yeates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
United Kingdom
LS1 4DL

27 August 2021

PPG Architectural Coatings UK Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	289,035	261,139
Cost of sales		<u>(158,523)</u>	<u>(142,744)</u>
Gross profit		130,512	118,395
Distribution costs		(58,696)	(60,613)
Administrative expenses		(17,686)	(18,550)
Other operating income	4	<u>2,132</u>	<u>-</u>
Operating profit	5	56,262	39,232
Other interest receivable and similar income	6	<u>1,384</u>	<u>1,484</u>
Profit before tax		57,646	40,716
Tax on profit	9	<u>(11,391)</u>	<u>(7,306)</u>
Profit for the financial year		<u>46,255</u>	<u>33,410</u>

The above results were derived from continuing operations.

The notes on pages 19 to 35 form an integral part of these financial statements.

PPG Architectural Coatings UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Profit for the year		46,255	33,410
Remeasurement loss on defined benefit pension schemes	17	<u>(715)</u>	<u>(96)</u>
Total comprehensive income for the year		<u>45,540</u>	<u>33,314</u>

The notes on pages 19 to 35 form an integral part of these financial statements.

PPG Architectural Coatings UK Limited

**(Registration number: 00436135)
Balance Sheet as at 31 December 2020**

		(As restated)	
	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	10	547	961
Tangible assets	11	<u>32,405</u>	<u>22,727</u>
		<u>32,952</u>	<u>23,688</u>
Current assets			
Stocks	12	23,849	20,300
Debtors	13	261,906	202,119
Cash at bank and in hand		<u>1,103</u>	<u>921</u>
		286,858	223,340
Creditors: Amounts falling due within one year	14	<u>(80,668)</u>	<u>(54,060)</u>
Net current assets		<u>206,190</u>	<u>169,280</u>
Total assets less current liabilities		239,142	192,968
Creditors: Amounts falling due after more than one year	15	(458)	(334)
Provisions for liabilities	16	<u>(510)</u>	<u>-</u>
Net assets		<u>238,174</u>	<u>192,634</u>
Capital and reserves			
Called up share capital	18	350	350
Profit and loss account		<u>237,824</u>	<u>192,284</u>
Shareholders' funds		<u>238,174</u>	<u>192,634</u>

Approved and authorised by the Board on 27 August 2021 and signed on its behalf by:

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S Pocock
Director

PPG Architectural Coatings UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	350	192,284	192,634
Profit for the year	-	46,255	46,255
Other comprehensive expense	-	(715)	(715)
Total comprehensive income	-	45,540	45,540
At 31 December 2020	350	237,824	238,174

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	350	158,970	159,320
Profit for the year	-	33,410	33,410
Other comprehensive expense	-	(96)	(96)
Total comprehensive income	-	33,314	33,314
At 31 December 2019	350	192,284	192,634

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The company's principal activity is the manufacture and distribution of architectural coatings products to both the trade and retail paint segments.

These financial statements were authorised for issue by the Board on 27 August 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

Basis of preparation

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.

These financial statements have been prepared using the historical cost convention.

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.

Summary of disclosure 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 in FRS 102 (Section 33) 'Related party disclosure' not to disclose its transactions with group companies as its results are consolidated into the financial statements of its ultimate parent company which are publicly available.

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 (FRS 102), the company has taken advantage of the exemption in FRS 102 from preparing a cash flow statement.

The Company has exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern

The directors have considered a going concern assessment of the group of which the company is part, headed by PPG Industries, Inc., in order to conclude on the appropriateness of the application of the going concern presumption in preparing these financial statements. In reviewing that assessment, the directors have taken into account the possible worst case scenario impact of the global Covid-19 pandemic on the group's trading performance and outlook. Those forecasts have been compared with the group's current and forecast liquidity position over that period, which incorporates their inclusion in the group cash pool and their ability to draw down on additional funds if required. As a result of the assessment performed the directors have a reasonable expectation that the group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and therefore continue to apply the going concern presumption in their preparation.

Revenue recognition

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 shown in note 3.

Government grants

Other operating income relates to the grant income received as part of the Coronavirus Job Retention Scheme (CJRS) and business rate relief in the UK.

Foreign currency transactions and balances

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 at the Balance Sheet rate and the gains or losses on translation are included in the profit and loss account.

Tangible 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

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 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.

Asset class

Land and Buildings - Short leasehold properties

Plant and motor vehicles

Land and Buildings - Freehold property

Depreciation method and rate

By reference to the unexpired portion of the lease

3 to 10 years

50 years

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Intangible assets

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.

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

For acquisitions of business, goodwill is capitalised in the year in which it arises and amortised over their estimated useful lives between 5 and 20 years.

Stocks

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

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.

Defined contribution pension obligation

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 for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

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.

Under FRS 102 a surplus of scheme assets may be recognised to the extent it is recoverable through reduced employer's contributions in the future or through refunds from the scheme. The Group's scheme surpluses are not deemed recoverable and so an asset limit adjustment has been applied to restrict the balance to zero in respect of each scheme in surplus.

Critical accounting judgements and estimation 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 an adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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 12 for net carrying amount of the inventory and associated provision.

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 13 for net carrying amount of the debtors and associated provision.

Restatement

The company became aware that the transfer of Freehold from an associate company within the UK Group structure was not recorded correctly. As a result of the transfer, intercompany balance and retained earnings were reported incorrectly within 2018 and 2019 financial statements. These have been restated to correct for the transfer. The effect of the restatement is shown in note 20.

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

3 Revenue

The analysis of the company's turnover for the year by market is as follows:

	2020 £ 000	2019 £ 000
UK	279,329	251,413
Europe	9,648	9,623
Rest of world	58	103
	<u>289,035</u>	<u>261,139</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £ 000	2019 £ 000
Government grants	<u>2,132</u>	<u>-</u>

Other operating income represents government grant income from the Coronavirus Job Retention Scheme of £1,407,000 (2019: nil). The company also received business rates relief and a property grant in relation to COVID-19 of £725,000 (2019: nil).

5 Operating profit

Arrived at after charging

	2020 £ 000	2019 £ 000
Depreciation of tangible fixed assets - owned	3,296	2,993
Depreciation of tangible fixed assets - leased	18	19
Fees payable to the company's auditors for the audit of the company's annual financial statements	66	62
Hire of plant and machinery - operating leases	1,998	2,113
Hire of other assets - operating leases	5,278	5,122
Amortisation expense	446	544
Research and development cost	1,900	2,010
Loss on disposal of property, plant and equipment	<u>106</u>	<u>26</u>

No PWC non-audit fees occurred in 2020 (2019: £nil).

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Other interest receivable and similar income

	2020	2019
	£ 000	£ 000
Group interest	<u>1,384</u>	<u>1,484</u>

7 Employees

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	42,680	40,396
Social security costs	4,070	3,765
Other post-employment benefit costs	<u>2,392</u>	<u>2,211</u>
	<u>49,142</u>	<u>46,372</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Production	309	326
Administration and support	89	88
Sales, marketing and distribution	<u>964</u>	<u>975</u>
	<u>1,362</u>	<u>1,389</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£ 000	£ 000
Remuneration	1,266	1,173
Pension contributions	<u>183</u>	<u>189</u>
	<u>1,449</u>	<u>1,362</u>

All directors are members of the company's defined contribution pension scheme in both years.

In respect of the highest paid director:

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

8 Directors' remuneration (continued)

	2020	2019
	£ 000	£ 000
Remuneration	382	335
Pension contributions	22	21
	<u>404</u>	<u>356</u>

9 Taxation

Tax charged in the income statement

	2020	2019
	£ 000	£ 000
Current taxation		
UK corporation tax	10,150	7,854
UK corporation tax adjustment to prior periods	<u>678</u>	<u>(1,078)</u>
	<u>10,828</u>	<u>6,776</u>
Deferred taxation		
Arising from origination and reversal of timing differences	633	428
Arising from changes in tax rates and laws	(18)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(52)</u>	<u>102</u>
Total deferred taxation	<u>563</u>	<u>530</u>
Tax expense in the income statement	<u>11,391</u>	<u>7,306</u>

The tax on profit before tax for the year is lower than (2019: lower than) of 19% (2019: 19%).

The differences are reconciled below:

	2020	2019
	£ 000	£ 000
Profit before tax	<u>57,646</u>	<u>40,716</u>
Corporation tax at standard rate	10,953	7,736
Decrease from effect of different UK tax rates on some earnings	(18)	-
Adjustment in respect of prior periods	626	(976)
Tax decrease from other short-term timing differences	(21)	(67)
Tax decrease arising from group relief	(549)	-
Tax increase from transfer pricing adjustments	321	319
Tax decrease from changes in pension fund prepayment	(136)	(18)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>215</u>	<u>312</u>
Total tax charge	<u>11,391</u>	<u>7,306</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Taxation (continued)

The Corporate tax rate was reduced to 19% with effect from 1 April 2017 with a further rate reduction to 17% from 1 April 2020 enacted by the 2019 balance sheet date. At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. At budget 2021 the government announced that the Corporation Tax main rate with effect from 1 April 2023 will increase to 25%. As this was enacted after the balance sheet date the current tax rate for the year ended 31 December 2020 is therefore 19% (2019: 19%) and deferred tax has been recognised at 19% (2019: 17%).

Deferred tax

Deferred tax assets and liabilities

	2020	2019
	£ 000	£ 000
Movement on deferred taxation balance in the year		
Balance at 1 January	98	628
Charge to profit and loss account	(581)	(530)
Effect of rate change recognised in the profit and loss account	18	-
Balance at 31 December	<u>(465)</u>	<u>98</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Intangible assets

	Goodwill £ 000	Trademarks, patents and licenses £ 000	Computer software £ 000	Total £ 000
Cost or valuation				
At 1 January 2020	63,044	811	3,525	67,380
Additions acquired separately	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
At 31 December 2020	<u>63,044</u>	<u>811</u>	<u>3,557</u>	<u>67,412</u>
Amortisation				
At 1 January 2020	62,871	599	2,949	66,419
Amortisation charge	<u>82</u>	<u>63</u>	<u>301</u>	<u>446</u>
At 31 December 2020	<u>62,953</u>	<u>662</u>	<u>3,250</u>	<u>66,865</u>
Carrying amount				
At 31 December 2020	<u>91</u>	<u>149</u>	<u>307</u>	<u>547</u>
At 31 December 2019	<u>173</u>	<u>212</u>	<u>576</u>	<u>961</u>

11 Tangible assets

	Land and buildings £ 000	Plant and motor vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	11,857	65,429	77,286
Additions	383	12,715	13,098
Disposals	<u>(63)</u>	<u>(178)</u>	<u>(241)</u>
At 31 December 2020	<u>12,177</u>	<u>77,966</u>	<u>90,143</u>
Depreciation			
At 1 January 2020	7,281	47,278	54,559
Charge for the year	704	2,610	3,314
Eliminated on disposal	<u>(40)</u>	<u>(95)</u>	<u>(135)</u>
At 31 December 2020	<u>7,945</u>	<u>49,793</u>	<u>57,738</u>
Carrying amount			
At 31 December 2020	<u>4,232</u>	<u>28,173</u>	<u>32,405</u>
At 31 December 2019	<u>4,576</u>	<u>18,151</u>	<u>22,727</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

11 Tangible assets (continued)

Included within the net book value of land and buildings above is £42,000 (2019 - £45,000) in respect of freehold land and buildings, the remaining amount relates to short leasehold properties.

12 Stocks

	2020	2019
	£ 000	£ 000
Raw materials and consumables	3,039	3,242
Work in progress	930	468
Finished goods and goods for resale	19,880	16,590
	<u>23,849</u>	<u>20,300</u>

There is no material difference between the balance sheet value of stocks and their replacement cost. Inventories are stated after provisions for impairment of £3,036,384 (2019: £3,144,340).

13 Debtors

	2020	2019
	£ 000	£ 000
Trade debtors	30,852	26,170
Amounts owed by group undertakings	218,678	167,953
Other debtors	4,207	5,459
Prepayments	1,621	2,439
Deferred tax assets	45	98
Income tax asset	6,503	-
	<u>261,906</u>	<u>202,119</u>

	2020	2019
	£ 000	£ 000
Deferred taxation		
Balance at 1 January	98	628
Profit and loss account credit/(charge)	40	(530)
Transfer to provision for liabilities	(93)	-
Balance at 31 December	<u>45</u>	<u>98</u>

The amounts recognised in the financial statements are as follows:

Difference between accumulated depreciation and amortisation and capital allowances	-	93
Short term timing differences	45	5
Balance at 31 December	<u>45</u>	<u>98</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Debtors (continued)

Of the amounts owed by group undertakings £163,485,490 (2019: £110,053,562) is interest bearing at 0.97% (2019: 1.50%) and the rest is not interest bearing. Trade debtors includes £408,844 (2019: £nil) falling due after more than one year. Amounts owed by group undertakings included £315,000 (2019: £315,000) falling due after more than one year. Trade debtors are stated after provisions for impairment of £1,363,437 (2019: £919,739).

The company meets its day-to-day working capital requirements through access to funds as part of the PPG group's cash pooling arrangement that is administered through PPG Finance BV, a fellow group company, which acts as an internal bank for PPG subsidiaries. The company has unrestricted access to these funds as part of the contractual cash pooling terms and conditions, and either party has the right to withdraw from the agreement by giving one months' notice, for which no reason needs to be given. Under the cash pooling arrangements, low levels of cash are held by the Company as balances are 'swept' to PPG Finance BV at the end of business on each day. The company therefore has a current receivable balance of £118,012,663 (2019: £59,657,523) and that amount is held with PPG Finance BV in the cash pool.

The company also holds £1,103,363 cash, which is not 'swept' into the cash pooling.

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.

14 Creditors

	(As restated)	
	2020 £ 000	2019 £ 000
Due within one year		
Trade creditors	63,102	42,092
Amount due to group undertakings	6,041	5,867
Social security and other taxes	4,201	1,745
Accruals	7,324	5,646
Corporation tax	-	(1,290)
	<u>80,668</u>	<u>54,060</u>

The amounts owed to group undertakings are unsecured, interest free and repayable at various dates during 2020.

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Creditors due after more than one year

	2020 £ 000	2019 £ 000
Due after one year		
Finance lease creditor	333	334
Amounts owed to group undertakings	125	-
	<u>458</u>	<u>334</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand with due notice given to both parties.

16 Provisions for liabilities

	Deferred taxation £ 000
At 1 January 2020	-
Profit and loss account charge	621
Effect of rate change	(18)
Transferred from deferred taxation debtors	(93)
At 31 December 2020	<u>510</u>
	Deferred tax £ 000
Difference between accumulated depreciation and amortisation and capital allowances	<u>510</u>
At 31 December 2020	<u>510</u>

17 Pension and other schemes

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 most recent valuation is at 5 April 2019 and updated to 31 December 2020 by a qualified actuary.

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Pension and other schemes (continued)

Defined benefit pension schemes

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2020 £ 000	2019 £ 000
Fair value of scheme assets	251,541	219,909
Present value of defined benefit obligation	<u>(197,624)</u>	<u>(182,138)</u>
	53,917	37,771
Unrecognised asset	<u>(53,917)</u>	<u>(37,771)</u>
Defined benefit pension scheme surplus/(deficit)	<u>-</u>	<u>-</u>

Under FRS102 a surplus of scheme assets may be recognised to the extent it is recoverable through reduced employer contributions in the future or through refunds from the scheme. 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 and so an asset limit adjustment has been applied to restrict the balance to zero in respect of each scheme in surplus.

Amounts recognised in profit and loss account	2020 £ 000	2019 £ 000
Operating cost:		
Past service cost	-	-
Administration expenses	500	504
	<u>500</u>	<u>504</u>

Amounts recognised in Statement of Comprehensive Income	2020 £ 000	2019 £ 000
Asset (gain) arising during the year	(31,731)	(18,523)
Liability losses arising during the year	17,087	24,995
Change in the effect of the asset ceiling	15,359	(6,376)
Actuarial losses recognised in Statement of Comprehensive income	<u>715</u>	<u>96</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020 £ 000
Present value at start of year	182,138
Interest cost	3,680
Actuarial loss on liabilities	17,087
Benefits paid	(5,281)
Present value at end of year	<u>197,624</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2020 £ 000
Fair value at start of year	219,909
Interest income	4,467
Actuarial gains and losses	31,731
Employer contributions	1,215
Benefits paid	(5,281)
Administration costs incurred	(500)
Fair value at end of year	<u>251,541</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2020 £ 000	2019 £ 000
Other	1,562	222
Delegated consulting services	<u>249,979</u>	<u>219,687</u>
	<u>251,541</u>	<u>219,909</u>

Analysis return on Division assets

	2020 £ 000	2019 £ 000
Interest income on Division assets	4,467	5,850
Gain on Division assets	31,731	18,523
Actual return on Division assets	<u>36,198</u>	<u>24,373</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2020 %	2019 %
Inflation for the financial year-Retail Price Index (RPI)	2.85	3.10
Inflation for the financial year-Customer Price Index (CPI)	2.25	2.10
Discount rate	1.50	2.05
Future pension increases (RPI max 5% per annum)	<u>2.78</u>	<u>2.99</u>

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

Post retirement mortality assumptions

	2020 Years	2019 Years
Current UK pensioners at retirement age - male	20.00	20.00
Current UK pensioners at retirement age - female	22.00	22.00
Future UK pensioners at retirement age - male	21.00	21.00
Future UK pensioners at retirement age - female	<u>23.00</u>	<u>23.00</u>

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. From May 2018, the division's invested assets are invested in a product known as Delegated Consulting Services ("DCS") whereby the Trustees have delegated decisions on asset allocation within certain parameters.

The Company expects to contribute £nil to the pension plan in 2021.

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 2020 were £2,391,908 (2019: £2,210,393). There are no contributions unpaid at 31 December 2020.

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

18 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Allotted, issued and fully paid of £1 each	350,000	350,000	350,000	350,000
Authorised of £1 each	65,000,000	65,000,000	65,000,000	65,000,000
	<u>65,350,000</u>	<u>65,350,000</u>	<u>65,350,000</u>	<u>65,350,000</u>

19 Commitments

	2020	2019
	£ 000	£ 000
Future capital expenditure		
Contracted for, but not provided in the financial statements	<u>1,476</u>	<u>663</u>

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:	2020	2019
	£ 000	£ 000
within 1 year	4,496	4,416
between 1 and 2 years	4,248	3,889
between 2 and 5 years	9,607	9,441
beyond 5 years	6,259	7,292
	<u>24,610</u>	<u>25,038</u>

PPG Architectural Coatings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

19 Commitments (continued)

Plant and motor vehicle payments due:	2020	2019
	£ 000	£ 000
within 1 year	702	950
between 1 and 2 years	600	374
between 2 and 5 years	802	483
beyond 5 years	-	-
	<u>2,104</u>	<u>1,807</u>

20 Restated financial statements

Restatement

The company became aware that the transfer of Freehold from an associate company within the UK Group structure was not recorded correctly. As a result of the transfer, intercompany balance and retained earnings were reported incorrectly within 2018 and 2019 financial statements. These have been restated to correct for the transfer.

The effect of the restatement can be seen below;

Creditors	£ 000
Amounts due to group undertakings	(1)
	<u>(1)</u>
Retained earnings	£ 000
Profit and loss account brought forward balance at 1 January 2019	(1)
	<u>(1)</u>

21 Parent and ultimate parent undertaking

The directors regard PPG Industries, Inc., as the ultimate parent company and ultimate controlling party by virtue of its 100% interest in the equity share capital of the company.

The company's immediate parent is Kalon Investment Company Limited, incorporated in the United Kingdom.

The ultimate parent is PPG Industries, Inc., incorporated in the United States of America.

These financial statements are available upon request from 2400 One PPG Place, Pittsburgh, Pennsylvania 15222-5401, USA.