

Registered Number 2609772

Masco UK Window Group Limited
Annual report and financial statements
for the year ended 31 December 2009

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Masco UK Window Group Limited

Annual report and financial statements for the year ended 31 December 2009

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Masco UK Window Group Limited

Directors and advisers

Directors

W Devine
G Balls
S Fifer

Company secretary

Pinsent Masons Secretarial Limited

Registered office

1 Park Row
Leeds
LS1 5AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Kingsway
Cardiff
CF10 3PW

Solicitors

Pinsent Masons LLP
3 Colmore Circus
Birmingham
B4 6BH

Bankers

Barclays Bank Plc
4th Floor Block A
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

Masco UK Window Group Limited

Directors' report for the year ended 31 December 2009

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

Principal activities

The principal activities of the company during the year were the manufacture of double glazed windows, doors and related products

The registered number of the company is 2609772

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below

Competition

The company operates in a highly competitive environment particularly around price and product availability. This results not only in downward pressure on our margins but also in the risk that we will not meet our customer's expectations. In order to mitigate this risk our sales team monitor market prices on an ongoing basis. Furthermore, we undertake routine market research to understand our customers' expectations and whether their needs are being met.

Employees

The company's performance depends largely on local staff. The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the company's results. To mitigate these issues the company has introduced a learning programme and other Human Resource initiatives for all employees and have implemented a number of schemes linked to the company's results that are designed to retain key employees.

Key performance indicators (KPI's)

The Board monitors progress on the overall company's strategy and the individual strategic elements by reference to three KPIs.

Performance during the year, together with historical trend data is set out in the table below

	2009	2008	Definition, method of calculation and analysis
Growth in sales (%)	0.15%	11%	Year on year sales growth expressed as a percentage. During the period 2008 – 2009 the market has declined between 15-20%. The business has outperformed the market by seeing a small growth in sales.
Trade receivable days	46	43	This is the average number of days the customers take to pay for their purchases. We are increasingly selling to the Newbuild market where longer payment terms are expected. This coupled with the current economic conditions have led to an increase in receivable days.
Inventory days	19	19	This is the average number of days worth of stock we are holding.

Future developments

The external environment is expected to remain competitive in 2010. We aim to instigate system developments to improve the clarity we have over our margin analysis and to support the ongoing focus on continuous improvement. During 2010, we are also aiming to achieve ISO9001 quality accreditation that will improve internal controls, business efficiency and customer service.

Masco UK Window Group Limited

Directors' report for the year ended 31 December 2009 (continued)

Results and dividends

The results for the year are set out in the profit and loss account on page 7. The results of the company show a pre tax profit of £1,403,000 (2008 £5,278,000) for the year and sales of £36,433,000 (2008 £36,377,000). A final dividend of £1.50 per each share amounting to £1,500,000 was paid during the year (2008 £2.00 per share amounting to £2,000,000).

In 2008, dividends of £4,549,000 were received during the year from Techniglass Limited (£3,999,000) and Stormfront Doors Limited (£550,000).

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit and interest rate risks.

The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring these risks on an ongoing basis. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to some commodity price risk as a result of its operations with fixed price contracts in place for the purchase of significant raw materials. Given the size of the company's operations, the costs of further managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a periodic basis by the finance department.

Liquidity risk

The company participates in a Masco UK Group cash pooling arrangement which is used to maintain the appropriate liquidity that the company requires for its day to day operations.

Interest rate cash flow risk

The interest rate risk is controlled through the Group pooling arrangement described under the Liquidity risk section above.

Masco UK Window Group Limited

Directors' report for the year ended 31 December 2009 (continued)

Directors and company secretary

Directors

The directors who held office during the year and up to the date of signing this report were as follows

W Devine

G Balls

S Fifer

Company secretary

On 8 October 2009, J Bignall resigned as company secretary and Pinsent Masons Secretarial Limited were appointed to that role

Employees

The company is committed to the principle of equal opportunity in employment. Our employment policies for recruitment, selection, training, development and promotion are designed to ensure that no application receives less favourable treatment on the grounds of age, race, nationality, religion, political beliefs, disability, sex or marital status.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

Policy and practice on payment of creditors

It is the company's policy to agree terms of settlement with its suppliers that are appropriate for the markets in which they operate, and to abide by such terms where suppliers have met their obligations. Trade creditors at the year end represented 60 days of purchases (2008: 62).

Masco UK Window Group Limited

Directors' report for the year ended 31 December 2009 (continued)

Charitable donations

During the year the company made charitable donations totalling £1,787

No donation was made to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware and the directors have taken all the steps that they each 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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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

By order of the Board

For and on behalf of

PINSENT-MASONS SECRETARIAL

LIMITED/

..... Director/Secretary

Pinsent Masons Secretarial Limited

Company secretary

3RD AUGUST 2010

Independent auditors' report to the members of Masco UK Window Group Limited

We have audited the financial statements of Masco UK Window Group Limited for the year ended 31st December 2009 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2009 and of its profit and cash flows 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.

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.



Steve Fish (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Cardiff, 3 August 2010

Masco UK Window Group Limited

Profit and Loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	2	36,433	36,377
Cost of sales		(27,939)	(29,328)
Gross profit		8,494	7,049
Distribution costs		(2,350)	(2,604)
Administrative expenses		(4,788)	(3,738)
Operating profit		1,356	707
Income from shares in group undertakings		-	4,549
Interest receivable and similar income	6(a)	1	46
Profit on sale of fixed assets		46	4
Interest payable and similar charges	6(b)	-	(28)
Profit on ordinary activities before taxation	3	1,403	5,278
Tax on profit on ordinary activities	7	53	461
Profit for the financial year	17	1,456	5,739

All items dealt with in arriving at operating profit above relate to continuing operations

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Masco UK Window Group Limited

Balance Sheet as at 31 December 2009

	Note	2009	2008
		£'000	£'000
Fixed assets			
Intangible assets	9	155	164
Tangible assets	10	5,636	6,272
Investments	11	11	12
		5,802	6,448
Current assets			
Stocks	12	1,424	1,530
Debtors	13	7,533	9,243
Cash at bank and in hand		279	220
		9,236	10,993
Creditors - amounts falling due within one year	14	(4,590)	(7,013)
Net current assets		4,646	3,980
Total assets less current liabilities		10,448	10,428
Creditors - amounts falling due after more than one year	15	(594)	(530)
Net assets		9,854	9,898
Capital and reserves			
Called up share capital	16	1,000	1,000
Share premium account	17	1,279	1,279
Capital redemption reserve	17	4	4
Profit and loss reserve	17	7,571	7,615
Total shareholders' funds	18	9,854	9,898

The financial statements on pages 7 to 23 were approved by the board of directors on 3 AUGUST 2010 and were signed on its behalf by

Steven Fifer

Steven Fifer

Director

Masco UK Window Group Limited

Registration number 2609772

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009

1 Principal accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006, subsequent amendments and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently are set out below.

Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 410 of the Companies Act 2006 because it is an indirect subsidiary of Masco Europe SCS, an intermediate parent company incorporated in Luxembourg, which prepares consolidated financial statements that are publicly available in that country.

Turnover

Turnover represents the invoiced value of goods and services supplied, excluding Value Added Tax, trade discounts and rebates, recognised when invoiced and despatched.

Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

Leases

Leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Acquisitions and goodwill

On the acquisition of a business, fair values are attributed to the company's share of tangible assets and liabilities. Where the cost of acquisition exceeds the values attributable to such assets and liabilities, the difference is treated as purchased goodwill and is amortised in equal annual instalments over the expected useful life, typically up to 20 years.

Where negative goodwill arises it is credited to the profit and loss account over the realisable lives of the non-monetary assets acquired.

Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Freehold buildings	4% per annum
Plant and machinery	10 – 33 1/3% per annum
Computer equipment	33 1/3% per annum
Motor vehicles	25% per annum
Fixtures and fittings	33 1/3% per annum

Freehold land is not depreciated.

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs, less trade discounts. In the case of manufactured products, cost includes all direct expenditure and an appropriate proportion of production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks based upon a line by line review of individual stock lines held.

Warranty costs

Provision is made for estimated costs likely to be incurred under warranties offered by the company that generally cover the products for a period of one year. Provision for warranty costs is made by the directors based on sales of products and historical data on volumes and types of return together with the impact of any known warranty matters. Provision is made for the cost of replacing parts and labour likely to be required.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The costs relating to this scheme are charged to the profit and loss account as they are incurred.

Contributions are also made to the personal pension plans of certain employees. The expenditure is charged to the profit and loss account as incurred.

The company provides no other post-retirement benefits to its employees.

Deferred tax

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.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits within the UK tax group against which to recover carried forward tax losses and/or from which the future reversal of 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.

Group relief

The company is part of the Masco Corporation Limited group for taxation purposes and accordingly may use the tax group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in the group. Typically group relief is surrendered free of charge within the group but may be subject to a charge in particular circumstances when negotiated between the companies concerned.

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1 Principal accounting policies (continued)

Cash-settled share-based incentive schemes

Phantom Stock Awards and Stock Appreciation Rights

Phantom Stock Awards and Stock Appreciation Rights (SARs) are notional stock awards granted to Directors and selected employees

Phantom Stock Awards and SARs granted are initially measured in US Dollars at the fair value determined using a Black-Scholes option pricing model and converted to Pounds Sterling at the relevant spot rate on the grant date. Phantom Stock Awards are granted with a nil exercise price whilst SARs are granted with a fixed exercise price.

Phantom Stock Awards and SARs vest annually from the grant date over a 10 and 5 year period, respectively, and are conditional on continued service.

Phantom Stock Awards are exercised in full immediately upon vesting and have a nil exercise price. SARs are exercised at the recipient's discretion over a period of up to 10 years from the grant date.

In addition, notional dividends equal to amounts declared by Masco Corporation (converted to Pounds Sterling at the relevant spot rate) accrue on the unvested portion of Phantom Stock Awards and are paid by the company on the annual vesting date of the Phantom Stock Awards.

Phantom Stock Awards and Stock Appreciation Rights are linked to the value of Masco Corporation shares (listed on the New York Stock Exchange). Awards granted are initially measured in US Dollars at fair value determined using a Black-Scholes option pricing model converted to Pounds Sterling at the relevant spot rate at the grant date and recognised as an expense over the vesting period. The related liability is subsequently measured and adjusted at the end of each reporting period until the awards are fully vested and fully paid to employees. National insurance contributions are accrued at the statutory rate on the total liability at the end of each reporting period.

Notional dividends

Notional dividends on unvested Phantom Stock Awards are measured at the intrinsic value of dividends declared by Masco Corporation and converted to Pounds Sterling at the relevant spot rate on the date declared and recognised as an expense in the period in which the dividends were declared. The related liability is subsequently measured and adjusted at the end of each reporting period until the notional dividend has been fully paid to employees or the right to receive notional dividends expires. National insurance contributions are accrued at the statutory rate on the total liability at the end of each reporting period.

Government grants

The Company has received local assistance government grants relating to investment in capital and local employment creation. The element of the grant relating to investment in capital is amortised, on a straight line basis, over the assets' useful economic life. The element of the grant relating to employment creation is amortised over the grant's monitoring period with regular assessments made of the level of positions created against targets and any potential claw back due.

Exceptional items

Exceptional items are events or transactions that fall within the activities of the company and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

Cash flow statement and related party disclosure

A cash flow statement is not presented since Masco Europe S C S - an intermediate parent company - has prepared consolidated financial statements that are publicly available in which the company is included such that the company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard No. 1 (revised 1996).

In accordance with the exemption afforded by Financial Reporting Standard No. 8 there is no disclosure in these financial statements of transactions with entities that are 100% subsidiaries (either directly or indirectly) of the Masco Corporation group.

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Turnover

The company's activities consist of the manufacture and sale of uPVC windows, conservatories and related products in the United Kingdom with turnover and profit on ordinary activities for the year arising entirely from the company's principal activity

In the opinion of the directors the company operates only one class of business

3 Profit on ordinary activities before taxation

	2009	2008
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation of tangible fixed assets		
- owned assets (note 10)	1,085	1,453
Amortisation of goodwill (note 9)	9	10
Amortisation of deferred grant income	(105)	(619)
Operating lease charges		
- plant and machinery	364	348
- other	249	276

During the year the company had the following services from the company's auditor for the amounts detailed below

	2009	2008
	£'000	£'000
Audit services		
- Audit services (company)	49	45
Tax services		
- Compliance services	10	12
Total	59	57

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

4 Directors' emoluments

	2009	2008
	£'000	£'000
Aggregate emoluments (including benefits in kind)	67	159
Aggregate amounts (excluding shares) received under long-term incentive schemes	8	8
Company pension contributions to money purchase scheme	6	12
Total directors' emoluments	81	179
Defined benefit pension scheme		
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	29	18

The above emoluments are in respect of the directors services to Masco UK Window Group Limited. Where the directors have performed a service to other group companies it is shown in the Directors' emolument notes of those companies.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

By activity	2009	2008
	No	No
Production	352	406
Selling and distribution	62	57
Administration	123	128
Total	537	591

Staff costs during the period (including executive directors) were as follows

	2009	2008
	£'000	£'000
Wages and salaries	9,360	10,274
Social security costs	800	880
Other pensions costs	33	38
Staff costs	10,193	11,192

Staff costs include £340,683 (2008: £128,151) in relation to cash-settled share-based payments as set out in note 19.

6(a) Interest receivable and similar income

	2009	2008
	£'000	£'000
Interest receivable on parent company loans	1	46
Total interest receivable and similar income	1	46

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

6(b) Interest payable and similar charges

	2009	2008
	£'000	£'000
Interest payable on parent company loans	-	28
Total interest payable and similar charges	-	28

7 Tax on profit on ordinary activities

	2009	2008
	£'000	£'000
Current taxation		
Adjustments in respect of prior periods	-	(12)
Total current tax	-	(12)
Deferred taxation		
Origination and reversal of timing differences (ACA and other)	(32)	(477)
Adjustments in respect of prior periods	(21)	28
Total deferred tax	(53)	(449)
Tax on profit on ordinary activities	(53)	(461)

The tax assessed for the year is different from the standard rate of Corporation Tax applicable in the United Kingdom for the year ended 31 December 2009 of 28% (2008 28.5%) The differences are explained below

	2009	2008
	£'000	£'000
Profit on ordinary activities before taxation	1,403	5,278
Profit on ordinary activities multiplied by the standard Corporation Tax rate in the UK 28.0% (2008 28.5%)	393	1,504
Effects of		
Expenses not deductible for tax purposes	54	101
Accelerated capital allowances and other timing differences	(25)	526
Group relief received at no charge	(452)	(781)
Income not chargeable for tax purposes	(27)	(14)
Dividend income not subject to UK tax	-	(1,296)
Pension cost charge in excess of pension cost relief	(8)	-
Adjustments to tax charge in respect of prior periods	-	(12)
Cash settled share based incentive schemes	65	(40)
Current tax on profit on ordinary activities	-	(12)

Factors affecting current and future tax charges

The standard rate of Corporation Tax in the United Kingdom changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28% (2008 28.5%)

A number of changes to the UK Corporation Tax system were announced in the March 2010 Budget which have been enacted in the 2010 Finance Act. The impact of these is not considered to be material to the future tax charge in the UK.

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

Further changes were announced in the UK Government's Emergency Budget on 22 June 2010. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The Directors are in the process of evaluating the impact these changes will have on future tax charges.

The company has received group relief in the current year from other group companies for no consideration. There is no certainty that this practice will be followed in the future.

8 Dividends

	2009	2008
	£'000	£'000
Equity - ordinary		
Final paid £1.50 per share (2008: £2.00)	1,500	2,000
	1,500	2,000

9 Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2009	174
31 December 2009	174
Accumulated amortisation	
At 1 January 2009	10
Charge for the year	9
31 December 2009	19
Net book value	
31 December 2009	155
31 December 2008	164

Goodwill represents the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is amortised over 20 years, which is the period over which the directors estimate that the value of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

10 Tangible assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Payments on account and assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2009	4,027	8,531	648	169	13,375
Additions	37	111	54	344	546
Disposals	(306)	(18)	(117)	-	(441)
Transfers from CIP	13	420	46	(479)	-
At 31 December 2009	3,771	9,044	631	34	13,480
Accumulated depreciation					
At 1 January 2009	1,091	5,522	490	-	7,103
Charge for the year	164	820	101	-	1,085
Disposals	(239)	(2)	(114)	-	(355)
Provisions for impairment	-	11	-	-	11
At 31 December 2009	1,016	6,351	477	-	7,844
Net book value					
At 31 December 2009	2,755	2,693	154	34	5,636
At 31 December 2008	2,936	3,009	158	169	6,272

Land with a cost of £47,000 (2008 £47,000) has not been depreciated in accordance with standard accounting practice

The net book value of land and buildings comprises of only Freehold

11 Investments

	Other investments
	£'000
Cost	
At 1 January 2009	12
Amortisation	(1)
At 31 December 2009	11
Impairments	
At 1 January 2009	-
Recognised in the year	-
Disposals	-
Total	-
Net book value	
At 31 December 2009	11
At 31 December 2008	12

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 Stocks

	2009	2008
	£'000	£'000
Raw materials and consumables	1,234	1,326
Work in progress	56	65
Finished goods and goods for resale	134	139
Total	1,424	1,530

13 Debtors

	2009	2008
	£'000	£'000
Trade debtors	4,637	4,191
Amounts owed by group undertakings	1,523	3,934
Deferred tax asset	568	515
Other debtors	212	189
Prepayments and accrued income	593	414
Total	7,533	9,243

	2009	2008
	£'000	£'000
Deferred taxation provided in the accounts comprises		
Accelerated capital allowances	184	169
Other timing differences	384	346
Deferred tax asset	568	515

Deferred tax asset

	Deferred tax	Total
	£'000	£'000
At 1 January 2009	515	515
Credited to the profit and loss account (note 7)	53	53
At 31 December 2009	568	568

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Notes to the financial statements for the year ended 31 December 2009 (continued)

14 Creditors – Amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	2,074	2,398
Amounts owed to parent company	18	2,245
Amounts owed to fellow group undertakings	527	475
Other taxation and social security	688	997
Other creditors	89	5
Accruals and deferred income	1,194	893
Total	4,590	7,013

15 Creditors – Amounts falling due after more than one year

	2009	2008
	£'000	£'000
Deferred income - unamortised element of government grants	353	458
Unexercised Phantom Stock Awards	107	58
Unexercised Stock Appreciation Rights	134	14
Total	594	530

16 Called up share capital

	2009	2008
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1.00 each (2008: 1,000,000 ordinary shares of £1.00 each)	1,000	1,000
Total	1,000	1,000
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1.00 each (2008: 1,000,000 ordinary shares of £1.00 each)	1,000	1,000
	1,000	1,000

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Notes to the financial statements for the year ended 31 December 2009 (continued)

17 Reserves

	Share premium account £'000	Capital redemp- tion reserve £'000	Profit and loss reserve £'000
At 1 January 2009 - as previously reported	1,279	4	7,615
Profit for the financial year	-	-	1,456
Dividends paid (note 8)	-	-	(1,500)
At 31 December 2009	1,279	4	7,571

18 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	1,456	5,739
Dividends paid (note 8)	(1,500)	(2,000)
Profit/(Loss) for the financial year	(44)	3,739
Net change in shareholders' funds	(44)	3,739
Shareholders' funds as at 1 January	9,898	6,159
Shareholders' funds as at 31 December	9,854	9,898

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

19 Cash-settled share-based payment transactions

Phantom Stock Awards

Movements in the number of Phantom Stock Awards (granted with nil exercise price) outstanding are as follows

	2009 Phantom Stock Awards	2008 Phantom Stock Awards
At 1 January	29,909	36,751
Granted	17,950	-
Transfer to another Group Company	(2,365)	-
Exercised	(4,582)	(5,081)
Expired	-	(1,761)
At 31 December	40,912	29,909
Exercisable	6,377	4,582

The related average Masco Corporation share price at the time of exercise was £6.73 (2008 £9.67)

Phantom Stock Awards (granted with nil exercise price) outstanding at the end of the year have the following expiry date

	2009 Phantom Stock Awards	2008 Phantom Stock Awards
2010	351	702
2011	978	1,467
2012	135	180
2013	2,100	2,625
2014	7,220	8,664
2015	3,852	4,872
2016	2,534	4,136
2017	5,792	7,263
2019	17,950	-
	40,912	29,909

Expenses/(Income) related to Phantom Stock Awards of £110,018 (2008 £14,701) as well as expenses related to notional dividends on unvested Phantom Stock Awards of £8,220 (2008 £19,427) are included within wages and salaries disclosed in note 5. £89,554 (2008 £4,466) of the total expense relate to directors. Details of amounts received and receivable are separately disclosed within aggregate directors' emoluments as disclosed in note 4.

Short-term liabilities related to the exercisable element of Phantom Stock Awards of £47,648 (2008 £22,431) and notional dividends on unvested Phantom Stock Awards of £8,220 (2008 £19,427) are included within other creditors disclosed in note 14.

Long-term liabilities related to the unexercised element of Phantom Stock Awards of £107,133 (2008 £57,681) are included within creditors – amounts falling due after more than one year disclosed in Note 15.

The total intrinsic value of liabilities that had vested totalled £63,518 (2008 £56,910).

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

19 Cash-settled share-based payment transactions (continued)

Phantom Stock Awards (continued)

The weighted average fair value of options granted during the period determined using the Black- Scholes valuation model was £6.87 (2008: nil) per award. The significant inputs into the model were:

	2009	2008
Weighted average share price (US Dollar)	13.81	11.13
Exercise price	Nil	Nil
Volatility	45%	34%
Dividend yield	2.3%	8.4%
Expected option life	10 years	10 years
Annual risk-free interest rate	2.66%	3.14%

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

19 Cash-settled share-based payment transactions (continued)

Stock Appreciation Rights

Movements in the number of Stock Appreciation Rights outstanding are as follows

	2009		2008	
	Average exercise price in £ per SARs	Stock Appreciation Rights	Average exercise price in £ per SARs	Stock Appreciation Rights
At 1 January	16 92	164,700	13 65	105,000
Granted	5 04	25,000	12 84	52,700
Expired	14 25	(15,500)	21 01	(2,000)
At 31 December	14 00	174,200	16 77	155,700
Exercisable	16 03	93,040	17 90	62,800

The related average Masco Corporation share price at the time of exercise was £nil (2008 £nil)

Stock Appreciation Rights outstanding at the end of the year have the following expiry dates

	2009		2008	
	Average exercise price in £ per SARs	Stock Appreciation Rights	Average exercise price in £ per SARs	Stock Appreciation Rights
2011	12 24	11,000	-	-
2012	17 27	31,000	13 47	11,000
2013	-	-	19 00	31,000
2015	16 70	32,000	-	-
2016	19 09	31,000	18 38	32,000
2017	11 67	41,200	21 01	29,000
2018	5 04	25,000	12 84	52,700
	14 00	171,200	16 77	155,700

Average share prices (quoted in US Dollars) were converted using the year end exchange rate of 1 5926 US Dollars per £1 (2008 1 4473 US Dollars per £1)

Expenses related to Stock Appreciation Rights of £202,386 (2008 -£93,858) are included within wages and salaries disclosed in Note 5, of which £155,331 (2008 £86,271) relate to directors. Details of amounts received and receivable are separately disclosed within aggregate directors' emoluments as disclosed in Note 4

Short-term liabilities related to the exercisable element of Stock Appreciation Rights of £69,417 (2008 £5,188) are included within other creditors disclosed in Note 14

Long-term liabilities related to the unexercised element of Stock Appreciation Rights of £133,863 (2008 £14,134) are included within creditors – amounts falling due after more than one year disclosed in Note 15

The total intrinsic value of liabilities that had vested totalled £nil (2008 £nil)

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was £4 39 (2008 £nil) per award. The significant inputs into the model were

Masco UK Window Group Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

	2009	2008
Weighted average share price (US Dollar)	13 81	11 13
Exercise price	8 03	18 58
Volatility	45%	34%
Dividend yield	2%	8%
Expected option life	7 years	7 years
Annual risk-free interest rate	3%	3%

20 Financial and other commitments

Operating lease commitments

As at 31 December 2009 the company had annual commitments under non-cancellable operating leases expiring as follows

	Vehicles, plant and equipment	
	2009	2008
	£'000	£'000
Within one year	98	63
Within two to five years	517	350
After five years	-	-
	615	413

21 Related party transactions

During the period Mr Devine purchased product from the company with the value of £22,456 through the company staff sales arrangement. Mr Devine also purchased a vehicle from the company with the value of £9,160, these transactions were conducted at an arm's length. The total balance outstanding to the company from Mr Devine as at 31st December 2009 was £21,554.

22 Immediate and ultimate parent company

The immediate parent undertaking is Masco Corporation Limited, a company incorporated in the United Kingdom.

The parent undertaking of the smallest group that prepares group accounts is Masco Europe S C S , a company incorporated in Luxembourg. Copies of the consolidated financial statements may be obtained from the Secretary at Masco Europe S C S , 22 Parc d'Activité Syrdall, L-5365 Munsbach, Luxembourg.

The ultimate parent undertaking and controlling party is Masco Corporation (a company incorporated in the United States of America), which heads the largest group to consolidate these financial statements. Copies of the consolidated financial statements of Masco Corporation can be obtained from the Secretary at Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180, United States of America (or via its website at www.masco.com).