

Company Registration No 436135

PPG ARCHITECTURAL COATINGS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010



PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS	Page
Officers and Professional Advisers	2
Directors' Report	3
Directors' Responsibilities Statement	8
Independent Auditor's Report	9
Profit and Loss Account	11
Statement of total recognised gains and losses	11
Reconciliation of movements in shareholder's funds	11
Balance Sheet	12
Notes to the Financial Statements	13

PPG ARCHITECTURAL COATINGS UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

Directors

G Molyneux – Resigned 30 September 2010
F Parry
S Pocock – Appointed 1 October 2010
R Hemingway – Appointed 1 October 2010
G Roebuck – Appointed 1 October 2010
M Hollingworth – Appointed 1 October 2010
J Metcalf – Appointed 1 October 2010
V O’Sullivan – Appointed 1 October 2010
P Lafford – Appointed 1 October 2010

Registered Office

Huddersfield Road
Birstall
Batley
WF17 9XA

Bankers

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

Solicitors

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Auditors

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

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2010

Principal activities and business review

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

Due to a loss of a retail sales contract and raw material price inflation coupled with increases in structural costs the company incurred an operating loss in 2010. The company continues to see inflationary pressures, but are keeping tight control over operating costs and applying price increases to customers where possible.

The market remains highly competitive. The trade market volume levelled off in 2010, following significant falls in 2009. Despite a slight fall in our sales volume, sales value has benefited from an increase in average selling prices. The company performed particularly well in the 3rd party stockist sector with store expansion activity of key retail customers assisting the growth in sales.

2010 saw key changes in legislation which further limit the levels of Volatile Organic Compounds (VOC) permissible in paint products. Through careful planning, PPG has successfully made the necessary adjustments required to remain compliant.

In-store paint colour tinting systems have now been successfully converted and are now all compliant with VOC 2010 legislation.

Johnstone's Covaplus Vinyl Matt and Jonmat Premium Contract Matt were awarded the coveted EU 'Ecolabel' accreditation in recognition of their environmental credentials and have been brought under the PPG Global banner of 'Ecological Solutions from PPG™'.

The 'Fat Hog' branded range of decorating tools and accessories was further expanded in 2010 to incorporate decorators' workwear, fillers & sealants, adhesives, solvents and cleaning products. This now gives the network of Decorating Centres a full sundries offering exclusively under one brand.

The Johnstone's Paint Trophy continued to build awareness of the Johnstone's brand through completion of its 4th season. The competition, for English League 1 and League 2 sides, culminated in the final at Wembley Stadium with an attendance of over 70,000.

The network of Johnstone's Leyland Decorating Centres was expanded with 8 new store openings, including the acquisitions of two merchant customers. PPG uses sophisticated geo marketing tools to determine potential new outlets in order to optimise the distribution footprint. At the end of 2010 there were 193 (2009: 185) outlets in the Johnstone's Leyland Decorating Centre network.

The third party claim in respect of a company comparative advertising campaign has been settled by way of a Settlement Agreement, without payment of any compensation or counterparts costs. The company's own costs are reflected in the profit and loss account. The parties have agreed an alternative dispute resolution framework for handling any such disputes in the future.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Cont.)

Going Concern

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

Strategy

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

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

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

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

Results and dividends

The results of the company show a pre-tax profit of £0.3m (2009: £6.4m).

The directors did not pay an interim dividend during the year ended 31 December 2010 (2009: £nil).

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: £nil).

Future outlook

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

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

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Cont.)

Principal risks and uncertainties

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

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

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

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

Key Performance Indicators

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

	2010	2009	Definition, method of calculation and analysis
Gross profit (%)	37.6%	36.0%	The ratio of gross profit to sales expressed as a percentage. Despite pressure on sales the gross profit percentage has improved due to effective cost controls on raw materials coupled with improved selling prices.
Return on sales (%)	(0.4%)	2.2%	Operating (loss) / profit expressed as a percentage of sales. Increased operating costs have coupled with a late downturn in sales has contributed to an overall operating loss for the year.
Return on Investment capital	(0.9%)	5.2%	Operating (loss) / profit expressed as a percentage of net assets. The downturn in sales and increased operating costs have resulted in a deterioration in return on capital invested.

Directors

The directors of the company, who served for the whole of the year ended 31 December 2010 and up to the date of this report, except where stated, were as follows:

G Molyneux – Resigned 30 September 2010

F Parry

S Pocock – Appointed 1 October 2010

R Hemingway – Appointed 1 October 2010

G Roebuck – Appointed 1 October 2010

M Hollingworth – Appointed 1 October 2010

J Metcalf – Appointed 1 October 2010

V O'Sullivan – Appointed 1 October 2010

P Lafford – Appointed 1 October 2010

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Cont.)

Research and development

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

Employment policies

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

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

Environmental policies

Tremendous effort and commitment from our workforce ensured we achieved compliance with the VOC 2010 legislation. The company continues to develop its sustainability and plans to introduce further improvements in 2011.

Supplier payment policy

The company's policy is to settle transactions according to payment terms agreed with suppliers when accounts are opened. Trade creditors of the company at 31 December 2010 were equivalent to 79 days purchases (2009: 77 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year the company made charitable donations of £16,554 (2009: £24,290), principally to local charities serving the communities in which the company operates. The company made no political contributions.

Statement of disclosure of information to auditors

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

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

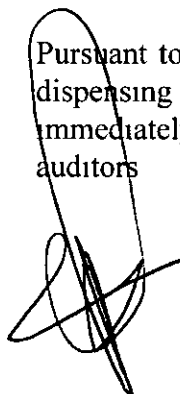
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' REPORT (Cont.)

Auditors

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

A handwritten signature in black ink, appearing to be 'S Pocock', written over a large, light-colored oval shape.

S Pocock
Director

1 August 2011

PPG ARCHITECTURAL COATINGS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PPG ARCHITECTURAL COATINGS UK LIMITED

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

We have audited the financial statements of PPG Architectural Coatings UK Limited for the Year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

PPG ARCHITECTURAL COATINGS UK LIMITED

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

Matters on which we are required to report by exception

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

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



David Johnson B A , F C A (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Leeds, United Kingdom

4 August 2011

PPG ARCHITECTURAL COATINGS UK LIMITED

PROFIT AND LOSS ACCOUNT Year Ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover		173,492	186,240
Cost of sales	3	(108,321)	(119,184)
Gross profit		65,171	67,056
Net operating expenses	3	(65,897)	(62,887)
Operating (loss) / profit	4	(726)	4,169
Interest receivable and similar income	5	1,587	2,046
Interest payable and similar charges	6	(420)	(682)
Other finance (costs) / income	7	(183)	853
Profit on ordinary activities before taxation		258	6,386
Tax on ordinary activities	8	1,251	(1,166)
Profit for the financial year	18	1,509	5,220

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

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year		1,509	5,220
Actuarial gain / (loss) on defined benefit scheme	16	3,341	(23,748)
Deferred tax associated with actuarial gain / (loss)	15	(902)	6,648
Total recognised gains / (losses) for the year		3,948	(11,880)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £'000	2009 £'000
Profit for the financial year	1,509	5,220
Actuarial gain / (loss) on defined benefit scheme	3,341	(23,748)
Deferred tax associated with actuarial gain / (loss)	(902)	6,648
Net addition / (reduction) to shareholders' funds	3,948	(11,880)
Opening shareholders' funds	80,443	92,323
Closing shareholders' funds	84,391	80,443

PPG ARCHITECTURAL COATINGS UK LIMITED

BALANCE SHEET

At 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	9	15,651	18,783
Tangible assets	10	16,431	15,232
		<u>32,082</u>	<u>34,015</u>
Current assets			
Stocks	11	20,273	18,826
Debtors	12	99,177	111,856
Cash at bank and in hand		193	13,327
		<u>119,643</u>	<u>144,009</u>
Creditors: amounts falling due within one year	13	<u>(67,317)</u>	<u>(94,661)</u>
Net current assets		<u>52,326</u>	<u>49,348</u>
Total assets less current liabilities		84,408	83,363
Creditors: amounts falling due after one year	14	(351)	(351)
Provisions for liabilities	15	<u>(779)</u>	<u>(1,212)</u>
Net assets excluding pension asset / (liability)		83,278	81,800
Pension asset / (liability)	16	<u>1,113</u>	<u>(1,357)</u>
Net assets including pension asset / (liability)		<u>84,391</u>	<u>80,443</u>
Capital and reserves			
Called-up share capital	17	350	350
Profit and loss account	18	84,041	80,093
Equity shareholders' funds		<u>84,391</u>	<u>80,443</u>

These financial statements of PPG Architectural Coatings UK Limited, registered number 436135, were approved by the Board of Directors on 1 August 2011 and signed on its behalf by



S Pocock
Director

The accompanying notes are an integral part of this balance sheet

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES

Basis of preparation

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

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

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

Going concern

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

Turnover

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

Tangible fixed assets

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

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

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES - continued

Tangible fixed assets – continued

The estimated useful lives of assets are as follows

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

Plant and motor vehicles - 3 to 10 years

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

Stocks and work in progress

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

On this basis, cost comprises

Raw materials - purchase price

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

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

Taxation

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

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

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES - continued

Taxation – continued

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

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

Research and development

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

Pensions and retirement indemnities

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

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

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

Goodwill

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

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES - continued

Intangible fixed assets

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

Leases

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

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

Foreign currencies

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

2. EMPLOYEES

	2010 £'000	2009 £'000
a) Employment cost of employees		
Wages and salaries	37,998	38,334
Social security costs	3,048	3,098
Other pension costs (see note 16)	4,502	3,971
	<u>45,548</u>	<u>45,403</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. EMPLOYEES (Cont.)

b) The average monthly number of people employed by the company during the year was	2010 Number	2009 Number
Production	437	446
Selling and distribution	1,160	1,246
Administration	95	138
	<u>1,692</u>	<u>1,830</u>

c) Directors' Emoluments

	2010 £'000	2009 £'000
Fees	475	308
Other emoluments (including pension contributions and benefits in kind)	61	49
	<u>536</u>	<u>357</u>

d) Directors' Pensions

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

Highest paid director

The remuneration of the highest paid director, including pension contributions of £21,000 (2009 £19,000), was £239,000 (2009 £235,000)

3. COST OF SALES AND NET OPERATING EXPENSES

	2010 £'000	2009 £'000
Cost of sales	<u>108,321</u>	<u>119,184</u>
Net operating expenses		
Administrative expenses	10,878	10,299
Selling and distribution costs	<u>55,013</u>	<u>52,799</u>
Total net operating expenses	<u>65,891</u>	<u>63,098</u>

4. OPERATING (LOSS) / PROFIT

	2010 £'000	2009 £'000
Operating (loss) / profit is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets - owned	3,434	3,902
Depreciation of tangible fixed assets - leased	18	18
Profit on disposal of fixed assets	(16)	(11)
Amortisation of intangible fixed assets	3,132	3,136
Hire of plant and machinery - operating leases	2,298	2,516
Hire of other assets - operating leases	4,534	4,395
Research and development costs	<u>1,151</u>	<u>1,090</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

4. OPERATING (LOSS) / PROFIT (Cont.)	2010	2009
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	65	62
Total audit fees	<u>65</u>	<u>62</u>
Taxation services	30	30
Total non-audit fees	<u>30</u>	<u>30</u>
5. INTEREST RECEIVABLE AND SIMILAR INCOME	2010	2009
	£'000	£'000
Receivable from group undertakings	<u>1,587</u>	<u>2,046</u>
6. INTEREST PAYABLE AND SIMILAR CHARGES	2010	2009
	£'000	£'000
Payable to group undertakings	<u>420</u>	<u>682</u>
7. OTHER FINANCE (COSTS) / INCOME	2010	2009
	£'000	£'000
Expected return on pension scheme assets	4,749	4,795
Interest on pension scheme liabilities	<u>(4,932)</u>	<u>(3,942)</u>
	<u>(183)</u>	<u>853</u>
8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2010	2009
	£'000	£'000
<u>UK Corporation tax</u>		
Current tax on income for the year	-	-
Release of prior year tax	<u>(100)</u>	<u>(96)</u>
Total current tax credit	<u>(100)</u>	<u>(96)</u>
<u>Deferred tax (see note 15)</u>		
Total deferred tax	<u>(1,151)</u>	<u>1,262</u>
Tax on profit on ordinary activities	<u>(1,251)</u>	<u>1,166</u>
<u>Factors affecting the tax charge for the current year</u>	2010	2009
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before tax	<u>258</u>	<u>6,386</u>
Current tax at 28% (2009 28%)	<u>72</u>	<u>1,788</u>
<u>Effects of</u>		
Expenses not deductible for tax	1,212	1,101
Release of prior year tax	<u>(100)</u>	<u>(96)</u>
Accelerated capital allowances expenses deductible for tax only when cash payment made	<u>(556)</u>	<u>127</u>
Group relief claimed for no payment	<u>(728)</u>	<u>(3,016)</u>
Total current tax credit (see above)	<u>(100)</u>	<u>(96)</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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

On 23 March 2011 the Government announced that the main rate of Corporation Tax rate would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements

9. INTANGIBLE FIXED ASSETS

	Trademark licences £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2010 and at 31 December 2010	38	62,634	62,672
Amortisation			
At 1 January 2010	38	43,851	43,889
Charge for the year	-	3,132	3,132
At 31 December 2010	38	46,983	47,021
Net book value			
At 31 December 2010	-	15,651	15,651
At 31 December 2009	-	18,783	18,783

10. TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
Cost			
At 1 January 2010	3,184	65,143	68,327
Additions	1,175	3,590	4,765
Disposals	-	(375)	(375)
At 31 December 2010	4,359	68,358	72,717
Depreciation			
At 1 January 2010	1,319	51,776	53,095
Charge for the year	109	3,343	3,452
Disposals	-	(261)	(261)
At 31 December 2010	1,428	54,858	56,286
Net book amount			
At 31 December 2010	2,931	13,500	16,431
At 31 December 2009	1,865	13,367	15,232

The net book amount of tangible fixed assets includes £188,000 (2009 £206,000) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £18,000 (2009 £18,000)

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

11. STOCKS	2010	2009
	£'000	£'000
Raw materials and consumables	4,184	4,668
Work in progress	966	1,011
Finished goods	15,123	13,147
	<u>20,273</u>	<u>18,826</u>

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

12. DEBTORS	2010	2009
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	17,240	18,079
Amounts owed by group undertakings	76,710	89,697
Deferred tax asset (see note 15)	2,343	1,154
Prepayments	2,884	2,926
	<u>99,177</u>	<u>111,856</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£'000	£'000
Trade creditors	23,556	25,103
Amounts owed to group undertakings	36,070	60,894
Corporation tax payable	3,049	3,018
Other taxes and social security	1,882	1,797
Accruals and deferred income	2,760	3,849
	<u>67,317</u>	<u>94,661</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2010	2009
	£'000	£'000
Finance lease creditor	<u>351</u>	<u>351</u>

15. PROVISIONS FOR LIABILITIES

	Other provision	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 January 2010	1,212	(1,681)	(469)
Charged to profit and loss account	-	(1,151)	(1,151)
Utilised in the year	(433)	-	(433)
Charged to the statement of total recognised gains and losses	-	902	902
At 31 December 2010	<u>779</u>	<u>(1,930)</u>	<u>(1,151)</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

15. PROVISIONS FOR LIABILITIES (Cont.)

Other provision

This is the first year of a three year contractual arrangement, entered into by the company, to sponsor a sporting trophy such that the company is obligated to pay the full amount due under the contract unless certain events occur. The company has renewed the contract for a further three year term. The directors consider that the likelihood of these events occurring is remote and have therefore provided for the contractual obligation. The provision will be utilised over the next 2 years. The directors have not used discounting as this would not give rise to a materially different result.

Deferred taxation

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

	2010 £'000	2009 £'000
Difference between accumulated depreciation and amortisation and capital allowances	2,342	1,154
Deferred tax asset (see note 12)	2,342	1,154
Deferred tax (liability) / asset on pension asset / (liability) (see note 16)	(412)	527
	<u>1,930</u>	<u>1,681</u>

A deferred tax asset has been recognised at 27 % as the directors consider that based on the anticipation of future taxable earnings it is more likely than not that the asset will be recovered.

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

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

16. PENSION COMMITMENTS

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

A formal valuation was carried out as at 5 April 2009 which has been updated to 31 December 2010 by a qualified independent actuary. The next valuation will be in 2012. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

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

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

16. PENSION COMMITMENTS (Cont.)

The major assumptions used by the actuary were

	2010	2009	2008
Discount rate	5.5%	5.6%	6.7%
Expected return on scheme assets	5.6%	5.6%	6.2%
Rate of increase in salaries	4.0%	3.7%	4.0%
Rate of increase in future pensions in payment – where relating to increases in the Retail Prices Index (RPI) with a maximum of 5% pa	3.4%	3.4%	2.8%
Rate of increase in deferred pensions	3.6%	3.2%	3.0%
Inflation assumption	3.6%	3.2%	3.0%

Mortality	2010	2009
Retiring today – Males	85.7	85.3
- Female	87.7	88.2
Retiring in 20 years - Male	87.1	88.0
- Female	89.4	91.0

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

	% at 31 Dec 2010	Value at 31 Dec 2010	% at 31 Dec 2009	Value at 31 Dec 2009	% at 31 Dec 2008	Value at 31 Dec 2008
		£'000		£'000		£'000
Equities	24%	23,341	23%	19,512	21%	15,760
Bonds	69%	66,099	76%	63,622	79%	60,898
Cash	7%	6,237	1%	583	0%	169
Total market value of assets	100%	95,677	100%	83,717	100%	76,827

	31 Dec 2010	31 Dec 2009	31 Dec 2008
	£'000	£'000	£'000
Fair value of assets	95,677	83,717	76,827
Pension liability	(94,152)	(85,601)	(56,941)
Overall surplus/(deficit) in scheme	1,525	(1,884)	19,886
Related deferred tax (liability) / asset	(412)	527	(5,568)
Net pension asset / (liability)	1,113	(1,357)	14,318

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

16. PENSION COMMITMENTS (cont.)

Movement in net surplus / (deficit) during the year	31 December 2010 £'000	31 December 2009 £'000
Surplus / (deficit) in the scheme at beginning of the year	(1,884)	19,886
Current service cost	(3,648)	(3,175)
Contributions	3,900	4,300
Other finance costs	(183)	853
Actuarial gain/(loss)	3,340	(23,748)
Surplus/(deficit) in the scheme at year end	<u>1,525</u>	<u>(1,884)</u>
Balance sheet presentation	31 December 2010 £'000	31 December 2009 £'000
Net assets excluding pension asset / (liability)	83,278	81,094
Pension asset / (liability)	<u>1,113</u>	<u>(1,357)</u>
Net assets including pension asset / (liability)	<u>84,391</u>	<u>79,737</u>
Profit and loss reserve excluding pension asset / (liability)	82,928	80,744
Pension asset / (liability)	<u>1,113</u>	<u>(1,357)</u>
Profit and loss reserve including pension asset / (liability)	<u>84,041</u>	<u>79,387</u>
Analysis of amount charged to operating profit	31 December 2010 £'000	31 December 2009 £'000
Current service cost	<u>3,648</u>	<u>3,175</u>
Analysis of amount credited to other finance income		
Expected return on pension scheme assets	4,749	4,795
Interest on Pension scheme Liabilities	<u>(4,932)</u>	<u>(3,942)</u>
Net return	<u>(183)</u>	<u>853</u>
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	5,541	15
Experience Gains and Losses arising on the scheme liabilities	2,746	(985)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(4,947)</u>	<u>(22,778)</u>
Actuarial gain / (loss) recognised in STRGL	<u>3,340</u>	<u>(23,748)</u>

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

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

16. PENSION COMMITMENTS - continued

Reconciliation of the present value of the defined benefit obligation	31 December 2010 £'000	31 December 2009 £'000
Present value of defined benefit obligation at beginning of the year	85,601	56,941
Current service cost	3,648	3,175
Interest cost	4,933	3,942
Members contributions	70	90
Actuarial loss	2,200	23,763
Benefits paid	(2,300)	(2,310)
Present value of defined benefit obligation at end of the year	<u>94,152</u>	<u>85,601</u>
Reconciliation of fair value of scheme assets	31 December 2010 £'000	31 December 2009 £'000
Fair value of scheme assets at beginning of the year	83,717	76,827
Expected return on scheme assets	4,749	4,795
Actuarial gain on scheme assets	5,541	15
Contributions by the company	3,900	4,300
Member contributions	70	90
Benefits paid	(2,300)	(2,310)
Fair value of scheme assets at end of the year	<u>95,677</u>	<u>83,717</u>
Summary of the movement in deferred tax on the net pension (asset) / liability:	2010 £'000	2009 £'000
Brought forward 1 January	527	(5,568)
Debited through statement of total recognised gains and losses	(902)	6,648
Debited through the profit and loss account	(37)	(553)
Deferred tax at 31 December	<u>(412)</u>	<u>527</u>

Details of experience gains and losses for the years to 31 December 2010, 31 December 2009, 31 December 2008 and 31 December 2007 and 31 December 2006

	31 December 2010	31 December 2009	31 December 2008	31 December 2007	31 December 2006
Fair value of assets	95,677	83,717	76,827	67,107	58,678
Pension Liability	(94,152)	(85,601)	(56,941)	(64,497)	(63,636)
Overall surplus / (deficit) in scheme	<u>1,525</u>	<u>(1,884)</u>	<u>19,886</u>	<u>2,610</u>	<u>(4,958)</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

16. PENSION COMMITMENTS – continued

Difference between the expected and actual return on scheme assets:

	31 December 2010	31 December 2009	31 December 2008	31 December 2007	31 December 2006
Amount (£'000)	5,541	15	3,156	2,015	727
Percentage of scheme assets	6%	0%	4%	3.0%	1.2%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	2,746	(985)	(2,591)	563	2,414
Percentage of the present value of the scheme liabilities	3%	(1%)	(5%)	0.9%	6.4%

The companies best estimate of contributions for 2011 are £5,200,000 by the employer and £80,000 by the employees

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

The directors are currently in discussions with the trustees of the pension scheme regarding the underlying nature of the inflation measure applicable under the rules of the scheme. Consequently the pensions provision has been maintained on a RPI basis pending the conclusion of these discussions. In the event that a CPI measure were to be applied it is estimated that this would reduce the (gross) pension liability as of 31 December 2010 by £0.5m.

Group Personal Pension

The company also pays contributions to a Group Personal Pension ("GPP") in respect of certain employees. The company's contributions to the GPP in the period up to 31 December 2010 were £853,470 (2009 £795,644). There are no contributions unpaid at 31 December 2010.

17. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised		
65,000,000 ordinary shares of £1 each	<u>65,000</u>	<u>65,000</u>
Allotted, issued and fully paid		
350,000 ordinary shares of £1 each	<u>350</u>	<u>350</u>

PPG ARCHITECTURAL COATINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

18. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2010	80,093
Profit for the financial year	1,509
Actuarial gain in defined benefit pension plan	3,341
Deferred tax re actuarial gain	(902)
Closing balance at 31 December 2010	84,041

19. COMMITMENTS

	2010 £000	2009 £000
a) Future capital expenditure Contracted for, but not provided in the accounts	<u>313</u>	<u>242</u>
b) Leasing commitments The annual commitment under operating leases are analysed according to the period in which each lease expires, as follows		
	2010 £'000	2009 £'000
Land and building leases expiring		
within 1 year	622	282
between 1 and 2 years	439	188
between 2 and 5 years	570	830
beyond 5 years	<u>2,912</u>	<u>2,979</u>
	<u>4,543</u>	<u>4,279</u>
Plant and motor vehicles leases expiring		
	2010 £'000	2009 £'000
within 1 year	450	468
between 1 and 2 years	794	970
between 2 and 5 years	<u>1,115</u>	<u>513</u>
	<u>2,359</u>	<u>1,951</u>

20. ULTIMATE PARENT UNDERTAKING

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

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

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