

Company Registration No 04610792

SIGMAKALON (BC) UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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SigmaKalon (BC) UK Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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SigmaKalon (BC) UK Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

OFFICERS AND PROFESSIONAL ADVISERS

Directors

F A Parry
S Pocock
J Metcalf

Registered Office

Huddersfield Road
Birstall
Batley
West Yorkshire
WF17 9XA

Bankers

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

Solicitors

Walker Morris
Kings Court
12 King Street
Leeds
LS1 2HL

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

SigmaKalon (BC) UK Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2014.

This report has been prepared in accordance with the special provisions relating to the small companies within Part 15 of the Companies Act 2006. The company has also taken the small companies exemption in relation to preparing a Strategic Report.

Principal activities and business review

The principal activity of the company is that of an intermediate holding company. The company acts as the primary investment/borrowing vehicle for the Architectural division of the UK group, and as such carries various group borrowings.

The Architectural UK group is engaged in the manufacture and distribution of decorative products. A review of trading activities and performance during the year is contained in the financial statements of the principal UK trading company, PPG Architectural Coatings UK Limited. The company's key measures of effectiveness of its operations are the financial and operational performance of its trading subsidiary, with key measurements being gross profit, return on sales and return on investment capital.

Results and dividends

The loss for the financial year was £4.1m (2013: £2.7m).

The directors do not propose a dividend in respect of the ordinary shares for year ended 31 December 2014 (2013: £nil). No dividend was paid in respect of the preference shares for 2014 (2013: £nil)

Going Concern

The financial statements are prepared on the basis that the company is a going concern, as the directors have reviewed the financial condition of the company and of the PPG group including consideration of future forecasts and uncertainties arising from the current economic environment. The company's parent has provided a letter of support for the period at least 12 months from the date of the balance sheet sign-off. Based upon this the directors have formed the view that the position of the company and the PPG group is sufficiently strong. Consequently the directors are satisfied it is reasonable to prepare the financial statements on a going concern basis.

Principal risk and uncertainties

The company's principal asset is its investment in subsidiary undertaking SigmaKalon UK Holding Limited. The value of this investment is susceptible to changes in value of the principal trading company within the UK group, PPG Architectural Coatings UK Limited.

The credit risk on financial assets and liabilities is limited because the counterparties are group companies, and the company's principal trading company continues to make a contribution to the financial results of the group.

Directors

The directors of the company, who served for the whole of the year ended 31 December 2014 and up to the date of this report were as follows:

F A Parry
S Pocock
J Metcalf

SigmaKalon (BC) UK Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Statement of disclosure of information to auditors

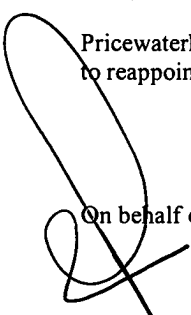
The directors of the company at the date of this report confirm that:

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

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

Independent Auditors

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



On behalf of the Board

S Pocock
Director

29 September 2015

SigmaKalon (BC) UK Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

SigmaKalon (BC) UK Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMAKALON (BC) UK LIMITED

Report on the financial statements

Our opinion

In our opinion, SigmaKalon (BC) UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGMAKALON (BC) UK LIMITED
(continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

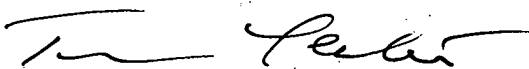
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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



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

29 September 2015

SigmaKalon (BC) UK Limited

PROFIT AND LOSS ACCOUNT Year Ended 31 December 2014

| | | 2014 | 2013 |
|--|------|-------|-------|
| | Note | £ m | £ m |
| Administrative expenses | | - | - |
| Operating result | 2 | - | - |
| Interest receivable and similar income | 3 | 1.7 | 1.5 |
| Interest payable and similar charges | 4 | (5.2) | (4.8) |
| Loss on ordinary activities before taxation | | (3.5) | (3.3) |
| Taxation on loss on ordinary activities | 5 | (0.6) | 0.6 |
| Loss for the financial year | 11 | (4.1) | (2.7) |

All of the above results are derived from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year and their historical cost equivalents.

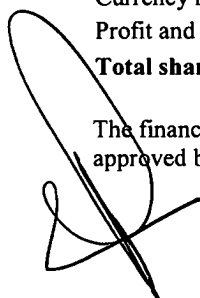
There are no other gains and losses other than those in the results above and hence no statement of recognised gains and losses has been presented.

SigmaKalon (BC) UK Limited

BALANCE SHEET As at 31 December 2014

| | Note | 2014 £ m | 2013 £ m |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Investments | 6 | <u>135.3</u> | <u>135.3</u> |
| Current assets | | | |
| Debtors | 7 | 41.1 | 40.0 |
| Cash at bank and in hand | | <u>0.2</u> | <u>0.2</u> |
| | | 41.3 | 40.2 |
| Creditors: amounts falling due within one year | 8 | <u>(41.9)</u> | <u>(36.9)</u> |
| Net current assets/liabilities | | <u>(0.6)</u> | <u>3.3</u> |
| Total assets less current liabilities | | 134.7 | 138.6 |
| Creditors: amounts falling due after more than one year | 9 | <u>(191.1)</u> | <u>(190.9)</u> |
| Net liabilities | | <u>(56.4)</u> | <u>(52.3)</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | - | - |
| Currency retranslation reserve | 11 | 1.3 | 1.3 |
| Profit and loss account | 11 | <u>(57.7)</u> | <u>(53.6)</u> |
| Total shareholders' deficit | 12 | <u>(56.4)</u> | <u>(52.3)</u> |

The financial statements of SigmaKalon (BC) UK Limited, registered number 04610792, on pages 9 to 15 were approved by the Board of Directors on 29 September 2015 and signed on its behalf by:



S Pocock
Director

SigmaKalon (BC) UK Limited

NOTES TO THE FINANCIAL STATEMENTS Year Ended 31 December 2014

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in both the current and prior year in dealing with items which are considered material in relation to the company's financial statements.

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.

The company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements, as the company is a subsidiary of PPG Industries Inc. which has prepared consolidated financial statements for the period ended 31 December 2014. These financial statements present information about the company as an individual undertaking and not about its group.

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 financial statements which include the financial statements 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 economic environment. The company's parent has provided a letter of support for the period at least 12 months from the date of the balance sheet sign-off. Based upon this the directors have formed the view that the position of the company and the PPG group is sufficiently strong. Consequently the directors are satisfied it is reasonable to prepare the financial statements on a going concern basis.

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 Group'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.

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 recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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.

SigmaKalon (BC) UK Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Investments

Fixed asset investments represent the company's investment in subsidiary undertakings. Investments are stated at cost, less any permanent diminution in value.

2. OPERATING RESULT

The cost of the company's audit was borne by PPG Architectural Coatings UK Limited, a fellow group undertaking.

No remuneration was paid or is payable to the directors in respect of their services, in both years.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2014 | 2013 |
|---|------|------|
| | £ m | £ m |
| Interest receivable from group undertakings | 1.7 | 1.5 |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 | 2013 |
|--|------|------|
| | £ m | £ m |
| On loans with fellow subsidiary undertakings | 5.2 | 4.8 |

5. TAX ON LOSS ON ORDINARY ACTIVITIES

| | 2014 | 2013 |
|--|-------|------|
| | £ m | £ m |
| Current year tax credit at 21.50% (2013: 23.25%) | - | - |
| Total current tax | - | - |
| Deferred tax adjustment in respect of prior year | (0.6) | 0.6 |
| | (0.6) | 0.6 |

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

| | 2014 | 2013 |
|--|-------|-------|
| | £ m | £ m |
| Loss on ordinary activities before tax | (3.5) | (3.3) |
| Current tax at 21.50% (2013: 23.25%) | (0.8) | (0.8) |
| Effects of: | | |
| Imputed interest expense | (0.3) | (0.3) |
| Prior year interest now deductible | (0.6) | (1.3) |
| Group relief claimed for no payment | 1.7 | 2.4 |
| Total current tax charge | - | - |

SigmaKalon (BC) UK Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2014

5. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The Corporate tax rate was reduced to 21% with effect from 1 April 2014, and a further rate reductions to 20% from 1 April 2015 was enacted during 2013. The current tax rate for the year ended 31 December 2014 is therefore 21.50% (2013: 23.25%).

6. INVESTMENTS

At 1 January and 31 December 2014

| | | Shares £ m | |
|--|--|--|---------------------|
| | | 135.3 | |
| | Country of incorporation and operation | Proportion of issued & voting rights of the share capital | |
| | | Direct control | Indirect control |
| Principal operating company | | | |
| PPG Architectural Coatings UK Limited | UK | - | 100% |
| Other companies: | | | |
| Kalon Investment Company Limited | UK | - | 100% |
| Johnstone's Paints Limited | UK | - | 100% |
| PPG Performance Coatings UK Limited | UK | - | 100% |
| Kalon Pension Trustees Limited | UK | - | 100% |
| Hawthorndale Limited | UK | - | 100% |
| SigmaKalon UK Pension Trustees Limited | UK | 100% | - |
| SigmaKalon UK Holding Limited | UK | 100% | - |

PPG Architectural Coatings UK Limited manufacture, process and market decorative paints, decorative sundries and building products. SigmaKalon UK Holding Limited and Kalon Investment Company Limited act as intermediate holding companies. Johnstone's Paints Limited and Hawthorndale Limited enter into property leases on behalf of PPG Architectural Coatings Limited. Kalon Pension Trustees Limited and SigmaKalon UK Pension Trustees Limited are dormant companies. PPG Performance Coatings UK Limited market protective and marine coatings products.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

7. DEBTORS

| | 2014 £ m | 2013 £ m |
|---|-------------|-------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 41.1 | 39.4 |
| Deferred tax | - | 0.6 |
| | <u>41.1</u> | <u>40.0</u> |

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 £ m | 2013 £ m |
|------------------------------------|-------------|-------------|
| Amounts owed to group undertakings | <u>41.9</u> | <u>36.9</u> |

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year Ended 31 December 2014

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2014 | 2013 |
|------------------------------------|--------------|--------------|
| | £ m | £ m |
| Amounts owed to group undertakings | 126.9 | 126.7 |
| Preference shares of €0.70 each | 64.2 | 64.2 |
| | 191.1 | 190.9 |

The amounts owed to group undertakings are unsecured and bear interest at an average rate of 4% for 2014.

| | | |
|---|--------------|-------------|
| The preference shares can be analysed as follows: | 2014 | 2013 |
| | £ m | £ m |
| Authorised: | | |
| 200,000,000 (2013: 200,000,000) Preference shares of €0.70 each | 102.7 | 102.7 |
| Issued, called up and fully paid: | | |
| 125,000,000 (2013: 125,000,000) Preference shares of €0.70 each | 64.2 | 64.2 |

The following rights are attached to each class of shares:

Dividends

In the event of the company proposing to pay a dividend, written notice is provided to the holders of the Preference Shares who have 20 days to elect to receive either a Preferred Dividend or an Ordinary Dividend. If no election is received, an Ordinary Dividend will be paid.

Subject to payment of all Preferred Dividends declared and unpaid from previous years, the Preferred Dividend to be paid can be calculated as being any amount up to a maximum of 10% of the total issue price of the Preference Share. The Total Issue Price equates to the nominal value and any premium on issue of the Preference Shares. The holders of the majority of the Preference Shares can elect to either receive the Preferred Dividend in cash or in the form of a bonus issue of Preference Shares.

Winding-up

In the event of the company being wound-up, and after payment of all other debts and liabilities, the remaining assets of the company shall be applied in the following manner and priority:

- Firstly to pay any outstanding Preferred Dividend which was declared but unpaid;
- Secondly in paying the holders of the Preference Shares the Total Issue Price of the shares; and
- Finally, in distributing the balance amongst the holders of the Preference Shares and Ordinary Shares pari passu.

Redemption

The company can redeem all or any of the Preference Shares at any time. In the event of a Listing or Sale, the Preference Shares will be redeemed in full. The company will pay any unpaid Preferred Dividend and the Total Issue Price of the shares.

Voting rights

The Preference Shares and Ordinary Shares rank pari passu with respect to voting rights.

SigmaKalon (BC) UK Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2014

10 CALLED UP SHARE CAPITAL

| | 2014 £ m | 2013 £ m |
|--|-------------|-------------|
| Authorised: | | |
| 10,000,000 (2013: 10,000,000) Ordinary shares of €1 each | <u>7.3</u> | <u>7.3</u> |
| Issued, called up and fully paid: | | |
| 1,001 (2013: 1,001) Ordinary shares of €1 each | <u>-</u> | <u>-</u> |

The rights attaching to the ordinary shares and preference shares are set out in note 9. On adoption of FRS 25 'Financial instruments: Disclosure and presentation' in 2005 the company's preference shares were reclassified as debt and have been included within creditors falling due after more than one year (see note 9).

11 RESERVES

| | Currency Retranslation Reserve £ m | Profit and Loss Account £ m |
|-----------------------------|---|--------------------------------------|
| At 1 January 2014 | 1.3 | (53.6) |
| Loss for the financial year | <u>-</u> | <u>(4.1)</u> |
| At 31 December 2014 | <u>1.3</u> | <u>(57.7)</u> |

The currency retranslation reserve arises from the changing of the company's functional and reporting currency from Euro to Sterling in 2008.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT FOR THE YEAR ENDED 31 DECEMBER 2014

| | 2014 £ m | 2013 £ m |
|--|---------------|---------------|
| Loss for the financial year | (4.1) | (2.7) |
| Opening total shareholders' deficit | <u>(52.3)</u> | <u>(49.6)</u> |
| Closing total shareholders' deficit | <u>(56.4)</u> | <u>(52.3)</u> |

13. ULTIMATE PARENT UNDERTAKING

The immediate parent company is PPG Holdings (UK) 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.