

Company Registration No 436135

**PPG ARCHITECTURAL COATINGS UK LIMITED
(Formerly SigmaKalon UK Limited)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008



DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2008

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PPG ARCHITECTURAL COATINGS UK LIMITED (formerly SigmaKalon UK Limited)

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

Directors

G Molyneux
F Parry - Appointed 3 March 2008

Company secretary

C Sherwood – Resigned 30 March 2009

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 Registered Auditors
1 City Square
Leeds
LS1 2AL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2008.

The company changed its name from SigmaKalon UK Limited to PPG Architectural Coatings UK Limited on 28 April 2008.

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 the 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.

Principal activities and business review

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

The trade market conditions remained highly competitive in all sectors of the market. Especially the second half of the year pressure increased as the first signs of recession became apparent. Whilst trading is down, we continue to remain positive as our market share is growing leaving us in a strong position for the future.

In 2008 innovation remains a priority within the Business. Leyland Trade launched a new colour card and introduced the Leyland Lovelies during the 2008 National Painting and Decorating show. This year also saw the introduction of Fat Hog, a new brand supporting a range of Premium Quality decorating tools. In 2008, the Johnstone's Trade brand saw the launch of a highly innovative new product for Masonry, called Johnstone's Stormshield Self-Cleaning Masonry. This product has been formulated using groundbreaking nanotechnology in order to give an extremely smooth and dirt resisting finish. Johnstone's is the first to use this breakthrough technology in the UK market.

The annual Painter of the Year event saw its 25th anniversary, with the competition culminated in an awards ceremony at the luxurious Grove Hotel in Hertfordshire on the 29th March 2008. The work of 16 finalists was showcased during the evening's presentation. On the 30th of March, the second Johnstone's Paint Trophy final took place, at the new Wembley stadium, attended by around 60,000 people. Towards the end of 2008 it was also announced the sponsorship will continue until at least 2012.

Finally, 7 Johnstone's decorating centres were opened, taking us to a total of captive 169 trade outlets in the UK. In the Republic of Ireland, we opened up 4 branches, taking us to a total of 14. The total number of captive outlets in the UK and Ireland is 183 in 2008

On 1 July 2008 we transferred our Retail Business dealing with the DIY multiple to another PPG Group company and thus allowing us to focus on growing the Trade Business. We now invoice PPG Retail Europe, France, who invoice and deal with the external customers directly.

Strategy

The vision of the company is to become 'Our customers 1st Choice; delivered by 1st Class People'.

The company's overriding objective is to achieve attractive and sustainable rates of growth and return; principally through organic growth. The company intends to do this via substantial gains in market share (aim to be #1 in trade by 2013) supported by excellent people as measured by a placing in the Sunday Times Top 50 Best Companies to Work for.

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

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

Results and dividends

The results of the company show a pre-tax profit of £6.1m (2007: £14.5m). The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: £nil).

Future outlook

Under the ownership of PPG industries Inc. we expect to remain competitive and increase market share in 2009 and beyond, despite the extremely tough and hyper competitive market conditions.

We will continue to invest in our Decorating Centre network and brands and maintain and improve our levels of performance in the future. This strategy is fully supported by our parent company.

Principal risks and uncertainties

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

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

Key performance Indicators

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

	2008	2007	Definition, method of calculation and analysis
Gross profit (%)	34.7%	41.2%	The ratio of gross profit to sales expressed as a percentage. The gross profit percentage has been impacted by the unprecedented high raw material inflation we have seen through 2008 especially with the weakening of the GBP to the Euro
Return on sales (%)	0.7%	5.1%	Operating profit expressed as a percentage of sales. Return on sales is significantly impacted by gross profit as mentioned above. Operating costs have been well controlled in 2008 to help reduce the lower gross profit performance.
Return on Investment capital	1.5%	14.0%	Operating profit expressed as a percentage of net assets. Return on investment capital has decreased largely attributable to the pension asset that arose in 2008 and the lower operating profits as described above.

Directors and their interests

The directors of the company, who served for the whole of the year ended 31 December 2008 and up to the date of this report, except where stated, were as follows:

G Molyneux

F Parry (Appointed 3 March 2008)

Research and development

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

Employment policies

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

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

Environmental policies

The company achieved the 2007 legislative requirements relating to Volatile Organic Compounds and is well positioned to manage compliance with the upcoming 2010 legislation. Also, during 2008 the company worked on a sustainability report that was published in January 2009

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 2008 were equivalent to 82 days purchases (2007:89 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 £18,485, 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 ought to have taken as a director in order to make himself 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 234ZA of the Companies Act 1985.

Auditors

During the year PriceWaterhouseCoopers LLP resigned as auditors of the company. Deloitte LLP (formerly Deloitte & Touche LLP) were appointed as auditors to fill the casual vacancy arising on 15 May 2008 and have indicated their willingness to continue in office. A resolution to re-appoint Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General meeting.



Director

25th September 2009

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). The financial statements are required by law to 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 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 proper accounting records that 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPG ARCHITECTURAL COATINGS UK LIMITED (FORMERLY SIGMAKALON UK LIMITED)

We have audited the financial statements of PPG Architectural Coatings UK Limited (formerly SigmaKalon UK Limited) for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PPG
ARCHITECTURAL COATINGS UK LIMITED (FORMERLY SIGMAKALON UK
LIMITED)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Leeds

5 October
..... 2009

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Turnover		200,661	208,471
Cost of sales	3	(131,075)	(122,635)
Gross profit		69,586	85,836
Net operating expenses before exceptional item	3	(68,211)	(77,826)
Exceptional item	3	-	2,680
Total net operating expenses	3	(68,211)	(75,146)
Operating profit	4	1,375	10,690
Interest receivable and similar income	5	5,064	4,778
Interest payable and similar charges	6	(323)	(1,627)
Other finance costs	7	(56)	628
Profit on ordinary activities before taxation		6,060	14,469
Tax on ordinary activities	8	(1,629)	(2,236)
Profit for the financial year	17	4,431	12,233

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 2008

	Note	2008 £'000	2007 £'000
Profit for the financial year		4,431	12,233
Actuarial gain on defined benefit scheme	15	16,092	7,344
Deferred tax associated with actuarial gain	14	(4,506)	(2,151)
Total recognised gains for the year		16,017	17,426

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £'000	2007 £'000
Profit for the financial year	4,431	12,233
Actuarial gain on defined benefit scheme	16,092	7,344
Deferred tax associated with actuarial gain	(4,506)	(2,151)
Net addition to shareholders' funds	16,017	17,426
Opening shareholders' funds	76,306	58,880
Closing shareholders' funds	92,323	76,306

PPG ARCHITECTURAL COATINGS UK LIMITED (formerly SigmaKalon UK Limited)

BALANCE SHEET
At 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	9	21,919	25,055
Tangible assets	10	<u>16,508</u>	<u>15,742</u>
		<u>38,427</u>	<u>40,797</u>
Current assets			
Stocks	11	17,870	22,203
Debtors	12	134,838	87,225
Cash at bank and in hand		<u>649</u>	<u>5,227</u>
		<u>153,357</u>	<u>114,655</u>
Creditors: amounts falling due within one year	13	<u>(113,461)</u>	<u>(80,314)</u>
Net current assets		<u>39,896</u>	<u>34,341</u>
Total assets less current liabilities		78,323	75,138
Provisions for liabilities	14	<u>(316)</u>	<u>(711)</u>
Net assets excluding pension asset		78,005	74,427
Pension asset	15	<u>14,318</u>	<u>1,879</u>
Net assets including pension asset		<u>92,323</u>	<u>76,306</u>
Capital and reserves			
Called-up share capital	16	350	350
Profit and loss account	17	<u>91,973</u>	<u>75,956</u>
Equity shareholders' funds		<u>92,323</u>	<u>76,306</u>

These financial statements were approved by the Board of Directors on *15th September* 2009 and signed on its behalf by:



Greg Molyneux
Director

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 1985 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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 DECEMBER 2008

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 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2008

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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2008

1. ACCOUNTING POLICIES - continued

Pensions and retirement indemnities - continued

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

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 DECEMBER 2008

1. ACCOUNTING POLICIES - continued

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

	2008 £'000	2007 £'000
a) Employment cost of employees:		
Wages and salaries	42,338	44,478
Social security costs	3,429	3,433
Other pension costs (see note 15)	4,629	4,756
	<u>50,396</u>	<u>52,667</u>
	2008 Number	2007 Number
b) The average monthly number of people employed by the company during the year was:		
Production	467	500
Selling and distribution	1,271	1,254
Administration	122	127
	<u>1,860</u>	<u>1,881</u>
c) Directors' Emoluments:		
	2008 £'000	2007 £'000
Fees	281	528
Other emoluments (including pension contributions and benefits in kind)	45	101
	<u>326</u>	<u>629</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 £12,000 (2007: £69,000), was £241,000 (2007: £486,000).

NOTES TO THE FINANCIAL STATEMENTS**Year Ended 31 DECEMBER 2008****3. COST OF SALES AND NET OPERATING EXPENSES**

	2008 £'000	2007 £'000
Cost of sales	<u>131,075</u>	<u>122,635</u>
Net operating expenses:		
Administrative expenses before exceptional items	13,167	9,979
Exceptional items	-	(2,680)
Total administrative expenses	<u>13,167</u>	<u>7,299</u>
Selling and distribution costs	<u>55,044</u>	<u>67,847</u>
Total net operating expenses	<u>68,211</u>	<u>75,146</u>

Included within administration expenses in 2007 is exceptional income amounting to £2,680,000 relating to the write-back of an inter-company receivable balance.

4. OPERATING PROFIT

	2008 £'000	2007 £'000
Operating profit is arrived at after charging:		
Depreciation of tangible fixed assets	3,737	3,437
Profit / (loss) on disposal of fixed assets	13	(27)
Amortisation of intangible fixed assets	3,136	3,136
Hire of plant and machinery - operating leases	1,692	2,266
Hire of other assets - operating leases	4,244	4,228
Research and development costs	1,216	1,203
Auditors' remuneration - audit services	<u>87</u>	<u>83</u>
Auditor's remuneration – non-audit services:		
Taxation services	30	38
Actuarial services	-	159
	<u>30</u>	<u>197</u>

Fees for taxation and actuarial services continue to be paid to our previous provider.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £'000	2007 £'000
Receivable from group undertakings	<u>5,064</u>	<u>4,778</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Payable to group undertakings	<u>323</u>	<u>1,627</u>

7. OTHER FINANCE COSTS

	2008 £'000	2007 £'000
Expected return on pension scheme assets	3,978	3,964
Interest on pension scheme liabilities	<u>(4,034)</u>	<u>(3,336)</u>
	<u>(56)</u>	<u>628</u>

NOTES TO THE FINANCIAL STATEMENTS**Year Ended 31 DECEMBER 2008****8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2008 £'000	2007 £'000
<u>UK Corporation tax:</u>		
Current tax on income for the year	3,242	5,285
Release of prior year tax	(437)	(2,777)
Total current tax	2,805	2,508
<u>Deferred tax (see note 14):</u>		
Total deferred tax	(1,176)	(272)
Tax on profit on ordinary activities	1,629	2,236

Factors affecting the tax charge for the current year:

	2008 £'000	2007 £'000
<u>Current tax reconciliation:</u>		
Profit on ordinary activities before tax	6,060	14,469
Current tax at 28.5% (2007: 30%)	1,727	4,341
<u>Effects of:</u>		
Expenses not deductible for tax	1,169	(87)
Release of prior year tax	(437)	(2,777)
Accelerated capital allowances expenses deductible for tax only when cash payment made	346	1,031
Total current tax charge (see above)	2,805	2,508

The high effective tax rate in the year ended 31 December 2008 is due largely to amortisation of goodwill which is not tax deductible. The corporation tax rate changed from 30% to 28% on 1 April 2008, giving an effective tax rate for 2008 of 28.5%

9. INTANGIBLE FIXED ASSETS

	Trademark licences £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2008 and at 31 December 2008	38	62,634	62,672
Amortisation			
At 1 January 2008	30	37,587	37,617
Charge for the year	4	3,132	3,136
At 31 December 2008	34	40,719	40,753
Net book value			
At 31 December 2008	4	21,915	21,919
At 31 December 2007	8	25,047	25,055

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 DECEMBER 2008

10. TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Plant and motor vehicles £'000	Total £'000
Cost			
At 1 January 2008	1,990	60,468	62,458
Additions	234	4,282	4,516
Disposals	-	(859)	(859)
At 31 December 2008	<u>2,224</u>	<u>63,891</u>	<u>66,115</u>
Depreciation			
At 1 January 2008	1060	45,656	46,716
Charge for the year	158	3,579	3,737
Disposals	-	(846)	(846)
At 31 December 2008	<u>1,218</u>	<u>48,389</u>	<u>49,607</u>
Net book amount			
At 31 December 2008	<u>1,006</u>	<u>15,502</u>	<u>16,508</u>
At 31 December 2007	<u>930</u>	<u>14,812</u>	<u>15,742</u>

The net book amount of tangible fixed assets includes £232,000 (2007: £236,000) in respect of finance leases and hire purchase agreements. Depreciation charged in the year on these assets amounted to £4,000 (2007: £4,000).

11. STOCKS

	2008 £'000	2007 £'000
Raw materials and consumables	4,305	4,662
Work in progress	893	666
Finished goods	<u>12,672</u>	<u>16,875</u>
	<u>17,870</u>	<u>22,203</u>

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

12. DEBTORS

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	22,865	24,916
Amounts owed by group undertakings	109,248	58,775
Deferred tax asset (see note 14)	1,863	356
Other debtors	-	10
Prepayments	862	3,168
	<u>134,838</u>	<u>87,225</u>

NOTES TO THE FINANCIAL STATEMENTS**Year Ended 31 DECEMBER 2008****13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008	2007
	£'000	£'000
Trade creditors	32,441	32,866
Amounts owed to group undertakings	66,318	22,169
Corporation tax payable	7,737	16,577
Other taxes and social security	1,431	4,618
Finance lease creditor	352	352
Other creditors	-	478
Accruals and deferred income	5,182	3,254
	<u>113,461</u>	<u>80,314</u>

14. PROVISIONS FOR LIABILITIES

	Other provision	Deferred Taxation	Total
	£'000	£'000	£'000
At 1 January 2008	711	375	1,086
Charged to profit and loss account	-	(1,176)	(1,176)
Utilised in the year	(395)	-	(395)
Charged to the statement of total recognised gains and losses	-	4,506	4,506
At 31 December 2008	<u>316</u>	<u>3,705</u>	<u>4,021</u>

Other provision

This is the second year of a 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 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:

	2008	2007
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	1,863	356
Deferred tax asset (see note 12)	1,863	356
Deferred tax liability on pension asset (see note 15)	(5,568)	(731)
	<u>(3,705)</u>	<u>(375)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2008

14. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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

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

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

15. 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 2006 which has been updated to 31 December 2008 by a qualified independent actuary. The next valuation will be in 2009. 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.

The comparative figures for fair value of pension assets are shown at their market value instead of current bid price as required by an amendment to FRS 17 Retirement Benefits. The comparative figures have not been restated on the grounds that the difference in the valuation overall is deemed immaterial

Over 95% of the liabilities of the SigmaKalon UK Pension Fund relate to members employed by PPG Architectural Coatings UK Ltd. (Formerly SigmaKalon UK Limited) These disclosures have been prepared on the assets and liabilities of the fund as a whole.

The major assumptions used by the actuary were:

	2008	2007	2006
Discount rate	6.7%	6.0%	5.1%
Expected return on scheme assets	6.2%	5.8%	7.4%
Rate of increase in salaries	4.0%	4.4%	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.	2.8%	3.3%	2.8%
Rate of increase in deferred pensions	3.0%	3.4%	3.0%
Inflation assumption	3.0%	3.4%	3.0%
Mortality	2008	2007	
Retiring today – Males	84.4	84.4	
- Female	87.4	87.4	
Retiring in 20 years - Male	85.2	85.2	
- Female	88.1	88.1	

NOTES TO THE FINANCIAL STATEMENTS**Year Ended 31 DECEMBER 2008****15. PENSION COMMITMENTS - continued**

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

	% at 31 Dec 2008	Value at 31 Dec 2008	% at 31 Dec 2007	Value at 31 Dec 2007	% at 31 Dec 2006	Value at 31 Dec 2006
		£'000		£'000		£'000
Equities	21%	1,576	29%	19,694	71%	41,827
Bonds	79%	6,089	71%	47,407	29%	16,619
Cash	0%	169	0%	6	0%	232
Total market value of assets	100%	76,827	100%	67,107	100%	58,678

	31 Dec 2008	31 Dec 2007	31 Dec 2006
	£'000	£'000	£'000
Fair value of assets	76,827	67,107	58,678
Pension liability	(56,941)	(64,497)	(63,636)
Overall surplus / (deficit) in scheme	19,886	2,610	(4,958)
Related deferred tax asset / (liability)	(5,568)	(731)	1,487
Net pension asset / (liability)	14,318	1,879	(3,471)

Movement in net surplus during the year

	31 December 2008	31 December 2007
	£'000	£'000
Surplus / (deficit) in the scheme at beginning of the year	2,610	(4,958)
Current service cost	(3,960)	(4,154)
Contributions	5,200	3,750
Other finance costs	(56)	628
Actuarial gain	16,092	7,344
Surplus in the scheme at year end	19,886	2,610

Balance sheet presentation

	31 December 2008	31 December 2007
	£'000	£'000
Net assets excluding pension asset	78,005	74,427
Pension asset	14,318	1,879
Net assets including pension asset	92,323	76,306
Profit and loss reserve excluding pension asset	77,655	74,077
Pension reserve	14,318	1,879
Profit and loss reserve including pension asset	91,973	75,956

NOTES TO THE FINANCIAL STATEMENTS**Year Ended 31 DECEMBER 2008****15. PENSION COMMITMENTS - continued**

	31 December 2008 £'000	31 December 2007 £'000
Analysis of amount charged to operating profit		
Current Service Cost	3,960	4,154
Past Service Cost	-	-
Total Operating Charge	<u>3,960</u>	<u>4,154</u>
Analysis of amount credited to other finance income		
Expected return on pension scheme assets	3,978	3,964
Interest on Pension scheme Liabilities	(4,034)	(3,336)
Net return	<u>(56)</u>	<u>628</u>
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	3,156	2,015
Experience Gains and Losses arising on the scheme liabilities	(2,591)	563
Changes in assumptions underlying the present value of the scheme liabilities	15,527	4,766
Actuarial gain recognised in STRGL	<u>16,092</u>	<u>7,344</u>

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

Reconciliation of the present value of the defined benefit obligation

	31 December 2008 £'000	31 December 2007 £'000
Present value of defined benefit obligation at beginning of the year	64,497	63,636
Current service cost	3,960	4,154
Interest cost	4,034	3,336
Members contributions	78	1000
Actuarial gain	(12,936)	(5,329)
Benefits paid	<u>(2,692)</u>	<u>(2,300)</u>
Present value of defined benefit obligation at end of the year	<u>56,941</u>	<u>64,497</u>

NOTES TO THE FINANCIAL STATEMENTS**Year Ended 31 DECEMBER 2008****15. PENSION COMMITMENTS - continued**
Reconciliation of fair value of scheme assets

	31 December 2008 £'000	31 December 2007 £'000
Fair value of scheme assets at beginning of the year	67,107	58,678
Expected return on scheme assets	3,978	3,964
Actuarial gain on scheme assets	3,156	2,015
Contributions by the company	5,200	3,750
Member contributions	78	1,000
Benefits paid	(2,692)	(2,300)
Present value of defined benefit obligation at end of the year	<u>76,827</u>	<u>67,107</u>

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

	2008 £'000	2007 £'000
Brought forward 1 January	(731)	1,487
Debited through statement of total recognised gains and losses	(4,506)	(2,151)
Debited through the profit and loss account	(331)	(67)
Deferred tax at 31 December	<u>(5,568)</u>	<u>(731)</u>

Details of experience gains and losses for the years to 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005 and 31 December 2004

	31 December 2008	31 December 2007	31 December 2006	31 December 2005	31 December 2004
Fair value of assets	76,827	67,107	58,678	51,246	39,276
Pension Liability	(56,941)	(64,497)	(63,636)	(59,528)	(52,118)
Overall surplus deficit in scheme	<u>19,886</u>	<u>2,610</u>	<u>(4,958)</u>	<u>(8,282)</u>	<u>(12,842)</u>
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	3,156	2,015	727	5,304	711
Percentage of scheme assets	4%	3.0%	1.2%	10.4%	1.8%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(2,591)	563	2,414	(3,380)	2,076
Percentage of the present value of the scheme liabilities	(5%)	0.9%	6.4%	(5.7)%	4.0%

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 DECEMBER 2008

15. PENSION COMMITMENTS – continued

The companies best estimate of contributions for 2009 are £5,200,000 by the employer and £80,000 by the employees

Group Personal Pension

The company also pays contributions to a Group Personal Pension ("GPP") in respect of certain employees. The company's contributions to the GPP in the period up to 31 December 2008 were £668,918 (2007: £601,734). There are no contributions unpaid at 31st December 2008.

16. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'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>

17. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2008	75,956
Profit for the financial year	4,431
Actuarial gain in defined benefit pension plan	16,092
Deferred tax re actuarial gain	<u>(4,506)</u>
Closing balance at 31 December 2008	<u>91,973</u>

18. COMMITMENTS

	2008 £000	2007 £000
a) Future capital expenditure		
Contracted for, but not provided in the accounts	<u>144</u>	<u>487</u>
b) Leasing commitments		
The annual commitment under operating leases are analysed according to the period in which each lease expires, as follows:		
	2008 £'000	2007 £'000
Land and building leases expiring:		
within 1 year	456	785
between 1 and 2 years	252	443
between 2 and 5 years	824	815
beyond 5 years	<u>2,382</u>	<u>1,959</u>
	<u>3,914</u>	<u>4,002</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 DECEMBER 2008

18. COMMITMENTS - continued

Plant and motor vehicles leases expiring:

	2008	2007
	£'000	£'000
within 1 year	133	923
between 1 and 2 years	399	133
between 2 and 5 years	783	714
	<u>1,315</u>	<u>1,770</u>

19. 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