SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

FINANCIAL STATEMENTS

31 DECEMBER 2013

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SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

COMPANY INFORMATION

Directors

Mr G Bell
Mr C M Connor
Mr H S Hargreaves
Mr S P Hennessy
Mr R B Rossetto

Registered office

Tower Works
Kestor Street
Bolton
BL2 2AL

Auditors

Deloitte LLP
Chartered Accountant & Statutory Auditor
1 City Square
Leeds
LS1 2AL

Bankers

J P Morgan
01 Floor
Chaseside
Bournemouth
BH7 7DA

Solicitors

Pannone LLP
123 Deansgate
Manchester
M3 2BU

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

STRATEGIC REPORT

31 DECEMBER 2013

During the year, the company has continued to manufacture specialist industrial and fire protection coatings, including intumescent paint. The company is one of the UK leading manufacturers in this area and provides its products to a wide range of customers operating within the steel, marine, oil, gas and chemical, and transport markets. The risks inherent within this sphere of activity are the continuation of raw material availability and price pressures.

The company is a subsidiary of The Sherwin Williams Company which is a surface coatings business based in North America.

The results for the year are set out in the profit and loss account on page 9.

During the year, we have continued to redevelop our site in Bolton improving the production capabilities and expanding the research and development capacity. This is an on-going project which will ensure our facility will comply with current environmental legislation, can meet increased demands and provide an efficient and cost-effective production facility for the future. The directors have recognised the need to minimise the environmental and social impact of the business in the atmosphere and surrounding area

Expenditure on research and development activities has increased during the year, and the company has several development projects underway which are currently showing positive results.

The directors consider that the growth in sales, the on-going investment in the company's site and the continued investment in research and development indicate that the state of the business is satisfactory. The strength of the balance sheet provides a firm basis for plans to continue successful trading into the foreseeable future.

Approved by the Board of directors and signed on behalf of the Board

H Hargreaves
Director
3rd March 2014

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

DIRECTORS' REPORT

31 DECEMBER 2013

The directors present their report and financial statements for the year ended 31 December 2013.

Directors

The directors who served during the year were:

Mr G Bell
Mr C M Connor
Mr H S Hargreaves
Mr S P Hennessy
Mr R B Rossetto

Directors' responsibilities for preparing the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities for preparing the financial statements (continued)

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Going concern

The company operates in a low growth market environment which is set to continue in 2014 being further exacerbated by the current economic downturn. The company continues to manage this risk by developing innovation in its product range and maintaining a very strong brand presence. The company is financially sound, and continues to have a strong customer retention from its customer base who place a value on continuity of supply.
In assessing the appropriateness of the application of the going concern basis, the Directors have considered the uncertainties around the general economic environment, the current and future trading performance of the company and the available cash. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Financial instruments

The company's principal financial instruments comprised bank balances, trade debtors, trade creditors, an invoice discounting facility, finance leases and loans from group companies. The invoice discounting facility and finance lease arrangements were terminated during the year. The main purpose of these is to hold funds for, and record, the company's operations. Due to the nature of the financial instruments there is no exposure to price risk. As the company currently has adequate funds and facilities available to meet its operating requirements, there is also little liquidity risk. Any excess funds are deposited on term deposits with the aim of spreading the maturity of these across varying time periods. Deposits are placed with suitably assessed and approved financial institutions.

Trade debtors are managed in respect of credit and cash flow risk by controls over the credit offered to customers and the regular monitoring of amounts outstanding against both time and value limits. Trade creditors liquidity risk is managed by ensuring that there are sufficient funds available to meet amounts due. In respect of the liquidity risk attached to finance lease agreements, the company manages this risk by ensuring there are sufficient funds to meet the fixed monthly repayments.

The exchange rate risk inherent in international trading is managed by offsetting foreign currency incomes against foreign currency outgoings where possible. Use is also made of forward contracts to limit the exposure to movements in exchange rates.

Results and dividends

The profit for the year, after taxation, amounted to £422,969 (2012: £3,555,044). There have been no dividends paid in the year (2012: nil) . The movement of the unrecognisable surplus on the pension scheme asset of (£4,773,000) and the recognition of the actuarial gain for the year of £4,487,810 (2012: £3,066,515) in the Statement of recognised gains and losses has meant the level of retained profit in 2013 has increased by £141,144 (2012: increase of £3,288,529).

Future developments

The company aims to continually develop its products and services to satisfy its existing customers and secure new customers. The company will continue to look for additional business opportunities so as to maintain its competitive position.

Market value of land and buildings

In the opinion of the directors, the present value of land and buildings is in excess of the book value at 31 December 2013; however the directors consider that the amount of the excess has no significance as these assets are being retained for the company's continuing trading activities.

Research and development

The company incurred expenditure on research and development appropriate to its trading activities.

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

DIRECTORS' REPORT (continued)

31 DECEMBER 2013

Employee involvement

Arrangements exist to inform and consult with employees' representatives on matters of concern to employees.

Employment of disabled persons

It is the policy of the company to give full and fair consideration to the employment of disabled persons, their training and career development with every effort made to retain and assist employees who become disabled in the course of their employment.

Auditors

Deloitte LLP will be re-appointed at the company's AGM.

On behalf of the board 03/03/2014

H S Hargreaves

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

We have audited the financial statements of Sherwin-Williams Protective & Marine Coatings for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 21. 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 the directors and auditor

As explained more fully in the Directors' Responsibilities Statement (set out on page 3), 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 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 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.

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 2013 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS (continued)

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.

Matthew Hughes.........................

Matthew Hughes Bsc (Hons) ACA(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

4/3/14

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

PROFIT AND LOSS ACCOUNT

31 DECEMBER 2013

Notes		2013 £	2012 £
2	**Turnover**	44,843,655	44,300,669
	Operating expenses:		
	Changes in stock of finished goods and in work in progress	(284,382)	(870,915)
	Raw materials and consumables	(24,296,807)	(23,560,438)
3	Staff costs	(9,087,219)	(9,087,426)
	Depreciation	(636,103)	(782,619)
	Other operating charges	(10,298,001)	(6,672,763)
		(44,602,512)	(40,974,161)
3	**Operating Profit**	241,143	3,326,508
4	Interest receivable and similar income	331,407	280,491
5	Interest payable and similar charges	(1,356)	(109,445)
	Profit on ordinary activities before taxation	571,194	3,497,554
6	Taxation on profit on ordinary activities	(148,225)	57,490
	Profit for the financial year	422,969	3,555,044

None of the company's activities were acquired or discontinued during the above two financial years.

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

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

BALANCE SHEET

31 DECEMBER 2013

Notes		2013 £	2012 £
	Fixed assets		
8	Tangible assets	4,093,711	3,135,709
9	Investments in associated companies	137,489	137,489
		4,231,200	3,273,198
	Current assets		
10	Stocks	5,909,562	5,581,831
11	Debtors – due in less than one year	10,483,302	10,493,497
11	Debtors – due in more than one year	364,289	430,070
	Cash at bank and in hand	268,475	995,281
		17,025,628	17,500,679
12	**Creditors:** amounts falling due within one year	(11,083,732)	(10,738,560)
	Net current assets	5,941,896	6,762,118
	Total assets less current liabilities	9,990,652	10,035,317
	Creditors: amounts falling due after one year	-	-
	Net assets excluding pension scheme asset	10,173,096	10,035,317
15	Pension scheme asset	-	-
	Net assets including pension scheme asset	10,173,096	10,035,317
	Capital and reserves		
16	Called up share capital	93,520	93,520
17	Capital redemption reserve	43,230	43,230
17	Share premium account	117,713	117,713
17	Profit and loss account	9,918,633	9,780,854
18	**Shareholders' funds**	10,173,096	10,035,317

These financial statements were approved by the directors and authorised for issue on 03/03/14 and are signed on their behalf by:

H S Hargreaves

Company Registration Number : 893081

The accompanying notes are an integral part of this Balance Sheet.

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

31 DECEMBER 2013

	2013 £	2012 £
Profit for the financial year	422,969	3,555,044
Increase in unrecognisable surplus	(4,773,000)	2,800,000
Impact of actual assets returns being higher/(lower) than expected	2,964,000	1,820,000
(Loss) due to change in assumptions	729,000	(1,996,000)
Impact of experience (losses)	719,000	(2,977,000)
Deferred tax charge relating to actuarial valuation (losses) and increase in unrecognisable surplus	79,175	86,485
Total recognised profit for the year	141,144	3,288,529

The accompanying notes are an integral part of this Statement of Total Recognised Gains and Losses.

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are judged material in relation to the company's financial statements.

Basis of preparation of financial statements
The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

Going concern
In assessing the appropriateness of the application of the going concern basis, the Directors have considered the uncertainties around the general economic environment, the current and future trading performance of the company and the available cash. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement
The directors have taken advantage of the exemption in Financing Reporting Standard Number 1 (Revised 1996) from including a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group. The company's ultimate parent undertaking, The Sherwin Williams Company, publishes a consolidated cash flow statement.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation. The depreciation of tangible fixed assets is based on cost at rates calculated to write off the cost over the asset lives as follows:

Freehold buildings	- 2% per annum straight line
Premium on lease	- over the term of 125 years from 1983, straight line
Plant and machinery:	
Laboratory	- 20% per annum straight line
Other - long life	- 10% per annum straight line
Other - short life	- 20% per annum straight line

Depreciation is only charged once the asset is in use.

Fixed asset investments
Fixed asset investments are stated at cost less any provision for impairment.

Stocks
Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes direct labour and production overheads appropriate to the stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

1 **Accounting policies** (continued)

Turnover
Turnover represents the value of goods sold and services provided net of value added tax. Sales revenue is recognised in the financial statements when goods are despatched.

Research and development
Expenditure on research and development is charged to the profit and loss account as incurred.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits 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.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to sell those assets.

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction and any differences are taken to the profit and loss account.

Operating leases
Rentals payable under operating leases are charged to the profit and loss account as incurred.

Finance lease
Assets held under finance leases are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments is charged to the profit and loss account over the period of the lease.

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1 **Accounting policies** (continued)

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Pension costs
For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 **Turnover**

The directors consider that the disclosure of an analysis of turnover by geographical market would be prejudicial to the interests of the company.

3 **Operating profit**

	2013	2012
	£	£
a) This is stated after charging/(crediting):		
Depreciation	636,103	782,619
Loss on disposal of fixed assets	2,262	(7,049)
Directors' emoluments (see below)	157,834	360,122
Auditors' remuneration	70,793	60,826
Loss (profit) on foreign exchange	177,813	11,101
Research and development (including salary costs)	1,578,823	1,432,602
Operating lease rentals:		
Land and buildings	71,928	99,003
Plant and equipment	366,191	374,751

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3 **Operating profit** (continued)	2013 £	2012 £
b) Directors' emoluments:		
Aggregate emoluments (including benefits)	147,461	341,734
Company pension contributions to money purchase schemes	10,373	18,388
	157,834	360,122

Retirement benefits are accruing to one director under a defined benefit scheme and to one director under a money purchase scheme.

	2013 £	2012 £
Emoluments of the highest paid director:		
Aggregate emoluments (including benefits)	147,461	210,792
Company pension contributions to money purchase schemes	7,373	12,762
Defined benefit pension scheme:		
Accrued pension at end of year (defined benefit)	9,507	27,537
Accrued lump sum at end of year (defined benefit)	44,738	152,775

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

3 Operating Profit (continued)

c) Particulars of staff:

The average monthly number of persons employed during the year was as follows:	2013 Number	2012 Number
Directors	1	2
Administrative	35	31
Sales	53	51
Technical	48	49
Supply chain	27	31
Production	88	82
	252	246

Staff costs:	£	£
Wages and salaries	8,009,426	7,900,841
Social security costs	746,277	777,521
Pension cost (note 15)	331,516	409,064
	9,087,219	9,087,426

4 Interest receivable and similar income

	2013 £	2012 £
Interest on bank deposits	-	33
Loan interest	-	249
Other interest	407	209
Net finance income in respect of defined benefit pension scheme (note 15)	331,000	280,000
	331,407	280,491

5 Interest payable and similar charges

	2013 £	2012 £
Interest payable to group companies	1,356	109,445
	1,356	109,445

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

6 Taxation on loss on ordinary activities

		2013		2012	
		£	£	£	£
(a)	Analysis of charge for the year				
	Current tax:				
	Overseas Corporation tax on Profit for the year	6,634		15,220	
	Adjustment in respect of previous periods	-		11,875	
	Total current tax (note 7(b))	6,634			27,095
	Deferred tax:				
	Origination and reversal of timing differences		65,781		(171,070)
	Deferred tax charge relating to the defined benefit pension scheme		75,810		86,485
	Taxation on loss on ordinary activities		148,225		(57,490)

(b) Factors affecting the charge for the year

The tax assessed for the year is lower (2012 higher) than the standard rate of corporation tax in the UK of 23.25% (2012 24.5%). The differences are explained below:

	2013	2012
	£	£
Profit/(Loss) on ordinary activities before taxation	571,194	3,497,554
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 24.5%)	132,802	856,901
Effects of:		
Expenses not deductible for tax purposes	34,815	14,150
(Decrease) in provisions not deductible for tax purposes	17,863	(13,854)
Depreciation charges for the year in excess of capital allowances	25,235	44,199
Net income relating to defined benefit pension scheme calculated under FRS17 not taxable	(90,908)	(86,485)
(Tax allowances)/restriction of tax allowances upon research and development expenditure	(21,209)	-
Adjustment to tax charge in respect of previous periods	-	11,875
Effect of tax losses	(98,597)	(814,911)
Overseas tax	6,633	15,220
Current tax charge for year (note 6(a))	6,634	27,095

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

6 **Taxation on loss on ordinary activities** (continued)

(c) Factors that may affect future tax charges

The Finance Act 2013, which provides for a reduction in the main rate of UK corporation tax to 21% effective from 1 April 2014 and 20% from 1 April 2015, was enacted on 17 July 2013. As this legislation was substansively enacted prior to the balance sheet date, the closing deferred tax liability has been revalued at 20% at 31 December 2013

At the balance sheet date, the company has trade losses of approximately £1,376,000 (2012: £1,800,000) available to be used against future trading profits. The company also had unrelieved capital losses of £291,690 (2012: £291,690) available to be relieved against any future capital gains.

7 **Dividends**	2013	2012
	£	£
No Dividends Paid during the year:	-	-

8 **Tangible fixed assets**	Land and buildings	Plant and equipment	Total
	£	£	£
Cost:			
At 1 January 2013	1,821,437	16,479,731	18,301,168
Additions	1,012,047	588,799	1,600,846
Disposals	-	(25,696)	(25,696)
At 31 December 2013	2,833,484	17,042,834	19,876,318
Depreciation			
At 1 January 2013	822,847	14,342,612	15,165,459
Charge for the year	53,856	582,247	636,103
On disposals	-	(18,955)	(18,955)
At 31 December 2013	876,703	14,905,904	15,782,607
Net book amount at:			
31 December 2013	1,956,781	2,136,930	4,093,711
31 December 2012	998,590	2,137,119	3,135,709

	2013	2012
	£	£
The net book amount of land and buildings comprises:		
Freehold	1,901,885	943,694
Premium on lease	54,896	54,896
	1,956,781	998,590

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

9 **Investments : Associated companies**

	Shares at cost £	Loans £	Total £
Cost			
At 1 January 2013	250	493,084	493,334
Loans repaid	-	-	-
At 31 December 2013	250	493,084	493,334
Amount provided			
At 1 January 2013 and 31 December 2013	-	355,845	355,845
Net book amount at:			
31 December 2013	250	137,239	137,489
31 December 2012	250	137,239	137,489

The investment represents a 25% holding in Fabsec Limited, a company registered in England and Wales. The principal activity of this company is that of the development of long-span and cellular steel structures.

At the balance sheet date, the reserves and the profit of the associated company were:	£
Aggregate capital and reserves	(1,403,811)
Profit for the year	232,312

10 **Stocks**	2013 £	2012 £
Raw materials and consumables	2,798,266	2,476,524
Work in progress	366,011	389,535
Finished goods and goods for resale	2,745,285	2,715,772
	5,909,562	5,581,831

The replacement cost of stocks is not materially different from the amounts included in the balance sheet.

11 **Debtors**	2013 £	2012 £
Due in less than one year:		
Trade debtors	8,289,236	9,791,069
Other debtors	126,245	20,284
Prepayments and accrued income	405,718	229,103
Corporation tax recoverable	91,222	-
Amounts owed by group companies	1,570,881	453,041
	10,483,302	10,493,497
Due in more than one year:		
Deferred tax asset		
	364,289	430.070

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

	2013	2012
12 Creditors: amounts falling due within one year	£	£
Trade creditors	5,598,679	6,393,971
Deferred revenue	468,271	852,415
Other taxes and social security	228,078	881,993
Other creditors	6,223	59,379
Accruals	1,087,388	814,294
Amount owed to group companies	3,695,093	1,736,508
	11,083,732	10,738,560

13 Operating lease commitments

At 31 December 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	2013		2012	
	Land & buildings	Other	Land & buildings	Other
	£	£	£	£
Leases which terminate:				
in one year or less	32,678	42,787	7,594	50,925
in more than one year but not more than five years	-	241,636	-	205,950

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

14 **Deferred taxation**	2013	2012
	£	£
Deferred taxation		
Accelerated capital allowances – (asset)	(14,094)	62,725
Short-term timing differences – asset	52,633	42,734
Losses – asset	325,750	324,611
	364,289	430,070
Movement during the year		
At 1 January 2013 – asset	430,070	
Profit and loss account – credit	(65,781)	
At 31 December 2013 – asset (note11)	364,289	

The Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 20% with effect from 1 April 2013. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these accounts.

15 **Pension commitments**

The company, operates and makes contributions to a defined benefit pension scheme which is now governed by a Consolidated Trust Deed dated 4 April 2006. It is approved by the Inland Revenue as an exempt approved scheme under the Income and Corporation Taxes Act 1988. The scheme is not contracted out of the State Second Pension (formerly known as the State Earnings Related Pension Scheme (SERPS)). The assets of the scheme are held separately from those of the company in a trustee administered fund.

The cash contributions into the scheme in respect of the year ended 31 December 2013 were £331,000 (31 December 2012: £280,000). During the year employee contributions have been at the rate of 4.25% of employees salary on such part of that salary as does not exceed the NIC Upper Earnings Limit and 6% of the remainder of that salary. The rate of employers' contributions have been 6% and 9.3% of the above employees salary amounts respectively. The contribution rates have been agreed until February 2014.

Sherwin-Williams Protective & Marine Coatings also makes contributions to independently managed defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge for the year was £129,064 (31 December 2012: £129,064).

Included in the balance sheet at 31 December 2013 are outstanding contributions in respect of all the group pension schemes of £3,048 (31 December 2012: £58,695).

The company has fully adopted the requirements of Financial Reporting Standard 17 'Retirement Benefits' ("FRS 17"). Under this accounting standard the following disclosures are required.

15 **Pension commitments** (continued)

A full actuarial valuation was carried out on 5 April 2010 and updated to 31 December 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

The life expectancy assumption is one of the principal assumptions and can be summarised as follows:

Valuation date	31 December 2013	31 December 2012
Life expectancy for a male pensioner from age 65	21	22
Life expectancy for a female pensioner from age 65	24	24
Life expectancy from age 65 for a male participant currently aged 45	23	23
Life expectancy from age 65 for a female participant currently aged 45	25	26

	At 31/12/13	At 31/12/12
Rate of increase in pensions in deferment – pre Oct 2003	2.9%	2.4%
Rate of increase in pensions in deferment – all other	0.0%	0.0%
Rate of increase in pensions in payment		
- accrued pre 6 April 1997	0.0%	0.0%
- accrued post 6 April 1997 – 5 April 2006	3.4%	3.00%
- accrued post 6 April 2006	2.2%	2.10%
Discount rate	4.5%	4.30%
Inflation assumption - RPI	3.6%	3.10%
Inflation assumption - CPI	2.9%	2.40%

To develop the expected long term rate of return on assets assumption for 2013, the Company considered the level of expected returns on risk free investments at 31 December 2012 (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long term rate of return on assets, assumption for the portfolio. This resulted in an average assumption of 5.6% for the year ending 2013 net pension cost calculation.

The amounts recognised in the profit and loss account are as follows:	2013 £	2012 £
Current service cost	331,000	280,000
Interest on obligations	1,345,000	1,257,000
Expected return on scheme assets	(1,676,000)	(1,537,000)
	-	-

Our estimate of the profit and loss credit for the year ending 31 December 2014 is £nil.

Interest on obligations and expected return on scheme assets are included as net finance income within interest receivable and other similar income. Actuarial gains of £4,412,000 (2012: loss of £3,153,000) have been recognised on the statement of recognised gains and losses, as has the loss due to the increase in the unrecognisable surplus of £4,773,000 (2012: gain of £2,800,000).

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

15 **Pension commitments** (continued)

The Directors consider that no economic benefit would in practice be derived from the accounting surplus and therefore have decided not to recognise any of the surplus at 31 December 2013, resulting in a nil pension balance sheet position.

The amounts recognised in the balance sheet are as follows:

	2013 £'000	2012 £'000
Present value of funded obligations	(31,341)	(32,003)
Fair value of scheme assets	38,129	33,823
	6,788	1,820
Restriction of surplus	(6,788)	(1,820)
	-	-
Deferred tax liability		-
Surplus in the scheme	-	-

Changes in the present value of the defined benefit obligation are as follows:

	2013 £'000	2012 £'000
Opening defined benefit obligation	32,003	27,103
Current service cost	331	280
Plan Participants' contributions	230	244
Interest cost	1,345	1,257
Actuarial losses /(gains)	(1,448)	4,973
Benefits paid	(1,120)	(1,854)
Closing defined benefit obligation	31,341	32,003

Changes in fair value of scheme assets are as follows:	2013 £'000	2012 £'000
Opening fair value of scheme assets	33,823	31,412
Expected return	1,871	1,848
Actuarial (losses)/gains	2,964	1,820
Employer contributions	361	353
Employee contributions	230	244
Benefits paid	(1,120)	(1,854)
Closing fair value of scheme assets	38,129	33,823

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

15 **Pension commitments** (continued)

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is as follows:

	2013 £'000	2012 £'000
Actuarial losses	6,738	6,453

Amounts for the current and previous four periods are as follows:

	2013 £000's	2012 £000's	2011 £000's	2010 £000's	2009 £000's
Defined benefit obligation	(31,341)	(32,003)	(27,103)	(24,950)	(22,590)
Fair value of scheme assets	38,129	33,823	31,412	32,453	29,815
Surplus in the scheme before restriction	6,788	1,820	4,309	7,503	7,225
Restriction of surplus	(6,788)	(1,820)	(4,309)	-	-
Surplus in the scheme after restriction	-	-	-	7,503	7,225
Deferred tax liability	-	-	-	(2,026)	(2,023)
Surplus in the scheme	-	-	-	5,477	5,202
Experience adjustments on scheme liabilities	719	(2,977)	(99)	300	-
Experience adjustments on scheme assets	2,964	1,820	(2,558)	1,574	4,049

The UK Government announced in July 2010 that statutory pension increases or revaluations would be based on the Consumer Prices Index measure of price inflation from 2012, rather than the Retail Prices Index measure of price inflation. We understand that the non-discretionary increases to pensions provided under the Scheme reference RPI in the Scheme rules and the Trustees have received advice to confirm that no change is therefore necessary to reflect CPI.

16 **Share capital**

	Allotted, called up and fully paid			
	2013	2012	2013	2012
	No	No	£	£
10% Preference shares of 1p	62,500	62,500	625	625
6% Second preference shares of £1	84,450	84,450	84,450	84,450
10% Third preference shares of 5p	84,450	84,450	4,222	4,222
New ordinary shares of 5p	84,450	84,450	4,223	4,223
			93,520	93,520

Rights attaining to share capital:

(1) 10% Preference shares
These shares carry full voting rights and on a winding-up, surplus assets are to be distributed to an amount equal to the capital paid up in priority to all other classes of shares in issue. Dividends to be paid on these shares from distributable profits must be from profits only of that year.

(2) 6% Second Preference shares
These shares carry no voting rights except upon a resolution for modifying rights currently attached to them. On a winding-up surplus assets are to be distributed to an amount equal to the capital paid up after distribution to Preference shareholders but in priority to Third Preference shareholders and Ordinary shareholders. Dividends to be paid on these shares from distributable profits must be from profits only of that year after paying dividends to Preference shareholders but in priority to Third Preference and Ordinary shareholders.

(3) 10% Third Preference shares
These shares carry no voting rights except upon a resolution for modifying rights currently attached to them. On a winding-up surplus assets are to be distributed to an amount equal to the capital paid up after distribution to Preference and Second Preference shareholders but in priority to Ordinary shareholders. Dividends to be paid on these shares from distributable profits must be from profits only of that year after paying dividends to Preference and Second Preference shareholders but in priority to Ordinary shares.

(4) Ordinary shares
These shares carry no voting rights except upon a resolution for modifying rights currently attached to them. On a winding-up surplus assets are to be distributed, only after repayment of the capital paid up on the Preference, Second Preference and Third Preference shares, to the Ordinary shareholders in proportion to the capital paid up. Dividends to be paid on these shares from distributable profits are after paying dividends to Preference, Second Preference and Third Preference shareholders.

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2013

17 Reserves

	Capital redemption reserve £	Share account £	Profit and loss account £	Total £
At 1 January 2013	43,230	117,713	9,780,854	9,941,797
Profit for the financial year	-	-	422,969	422,969
Actuarial valuation loss on defined benefit pension scheme asset (net of deferred tax)	-	-	(285,190)	(285,190)
At 31 December 2013	43,230	117,713	9,918,633	10,079,576

	2013 £	2012 £
Profit and loss reserve (excluding pension reserve)	9,918,633	9,780,854
Pension reserve	-	-
Profit and loss reserve	9,918,633	9,780,854

18 Reconciliation in movements in shareholders' funds

	2013 £	2012 £
Profit/(Loss) for the financial year	422,969	3,555,044
Actuarial valuation (losses) on defined benefit pension scheme assets (net of deferred tax charge)	(285,190)	(266,515)
Net increase/(depletion in) shareholders' funds	137,779	3,288,529
Opening shareholders' funds	10,035,317	6,746,788
Closing shareholders' funds	10,173,096	10,035,317

19 **Capital commitments**	2013	2012
	£	£
Capital expenditure contracted but not provided for in the accounts	439,102	45,063

20 Transactions with related parties

The company has taken advantage of the exemption granted by paragraph 3c of Financial Reporting Standard Number 8 not to disclose related party transactions with other group companies.

21 Ultimate parent company

The company is a subsidiary of W & J Leigh & Co Limited (incorporated in England and Wales) of which the ultimate parent company is The Sherwin Williams Company, a company incorporated in the United States of America. The address from which the financial statements of the group can be obtained is The Sherwin Williams Company, 101 Prospect Avenue, NW Cleveland, Ohio, 4115-1075. The Sherwin Williams Company heads the largest and smallest groups for which consolidated financial statements are prepared and of which the company is a member.