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SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

(FORMALLY LEIGHS PAINTS)

FINANCIAL STATEMENTS

31 DECEMBER 2012

CONTENTS

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

DIRECTORS' REPORT

31 DECEMBER 2012

The directors present their report and financial statements for the year ended 31 December 2012.

On 14 December 2013 Leighs Paints changed name to Sherwin-Williams Protective & Marine Coatings.

Directors

The directors who served during the year were

Mr B H Leigh-Bramwell (resigned 6 January 2012)
Mr M Snowball (resigned 30 September 2012)
Mrs J L Mitchell (resigned 6 January 2012)
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;
- 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

Activities and business review

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 8

For the year under review, both turnover and gross profit increased There was an increase in the turnover both in the UK and overseas The gross profit margin on manufactured product continued to be under pressure as raw material price pressures continued throughout the year The directors believe these to be the main KPI's of the business The gross profit margin of the group in the year was 44 85% as compared to 40 68% in 2011

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 both the atmosphere and the surrounding area

Spending 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.

Going concern

The company operates in a low growth market environment which is set to continue in 2013 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

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

DIRECTORS' REPORT (continued)

31 DECEMBER 2012

Going concern (continued)

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 £3,555,044 There have been no dividends paid in the year (2011 nil) and the movement of the unrecognisable surplus on the pension scheme asset of £2,800,000 and the recognition of the actuarial loss for the year of £3,066,515 (2011: £1,877,000), the level of retained profit has increased by £3,288,529 (2011: decrease of £8,740,407).

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 2012, 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 2012

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

Supplier payment policy

It is the company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions

Auditors

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

On behalf of the board

H S Hargreaves

26th February 2013

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 2012 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 2), 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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

Simon Manning ....

Simon Manning (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds
27th February 2013

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

PROFIT AND LOSS ACCOUNT

31 DECEMBER 2012

Notes		2012 £	2011 £
2	**Turnover**	44,300,669	38,525,635
	Operating expenses:		
	Changes in stock of finished goods and in work in progress	(870,915)	839,784
	Raw materials and consumables	(23,560,437)	(23,775,756)
3	Staff costs	(9,087,426)	(10,058,006)
	Depreciation	(782,619)	(808,509)
	Other operating charges	(6,672,763)	(7,506,982)
		(40,974,161)	(41,309,469)
3	**Operating Profit/(Loss)**	3,326,508	(2,783,834)
4	Interest receivable and similar income	280,491	775,890
5	Interest payable and similar charges	(109,445)	(88,463)
	Profit/(Loss) on ordinary activities before taxation	3,497,554	(2,096,407)
6	Taxation on profit/(loss) on ordinary activities	57,490	(458,000)
	Profit/(Loss) for the financial year	3,555,044	(2,554,407)

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 2012

Notes		2012 £	2011 £
	Fixed assets		
8	Tangible assets	3,135,709	3,682,989
9	Investments in associated companies	137,489	137,489
		3,273,198	3,820,478
	Current assets		
10	Stocks	5,581,831	6,175,416
11	Debtors – due in less than one year	10,493,497	8,273,824
11	Debtors – due in more than one year	430,070	259,000
	Cash at bank and in hand	995,281	1,798,323
		17,500,679	16,506,563
12	**Creditors:** amounts falling due within one year	(10,738,560)	(13,580,253)
	Net current assets	6,762,118	2,926,310
	Total assets less current liabilities	10,035,317	6,746,788
13	**Creditors:** amounts falling due after one year	-	-
	Net assets excluding pension scheme asset	10,035,317	6,746,788
15	Pension scheme asset	-	-
	Net assets including pension scheme asset	10,035,317	6,746,788
	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	9,780,854	6,492,325
18	**Shareholders' funds**	10,035,317	6,746,788

These financial statements were approved by the directors and authorised for issue on 26th February 2013, 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 2012

	2012 £	2011 £
Profit/(Loss) for the financial year	3,555,044	(2,554,407)
Increase in unrecognisable surplus	2,800,000	(4,309,000)
Impact of actual assets returns being higher/(lower) than expected	1,820,000	(2,558,000)
(Loss) due to change in assumptions	(1,996,000)	(1,508,000)
Impact of experience (losses)	(2,977,000)	(99,000)
Deferred tax charge relating to actuarial valuation (losses) and increase in unrecognisable surplus	86,485	2,288,000
Total recognised profit/(losses) for the year	3,288,529	(8,740,407)

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 2012

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
Fixtures and fittings	- 10% per annum straight line
Office equipment	- 20% per annum straight line
Motor vehicles	- 25% per annum reducing balance

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.

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 substantively enacted by the balance sheet date

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

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 2012

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**

	2012	2011
	£	£
a) This is stated after charging/(crediting):		
Depreciation	782,619	808,509
Gain on disposal of fixed assets	(7,049)	-
Directors' emoluments (see below)	360,122	611,382
Auditors' remuneration	60,826	37,838
Loss (profit) on foreign exchange	11,101	12,550
Research and development (including salary costs)	1,432,602	1,625,461
Operating lease rentals		
Land and buildings	99,003	98,789
Plant and equipment	374,751	434,132

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3 **Operating Profit** (continued)

	2012	2011
	£	£
b) Directors' emoluments		
Aggregate emoluments (including benefits)	341,734	578,014
Company pension contributions to money purchase schemes	18,388	33,368
	360,122	611,382

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

	2012	2011
	£	£
Emoluments of the highest paid director		
Aggregate emoluments (including benefits)	210,792	234,375
Company pension contributions to money purchase schemes	12,762	4,781
Compensation for loss of office	122,672	-
Defined benefit pension scheme:		
Accrued pension at end of year (defined benefit)	27,537	6,905
Accrued lump sum at end of year (defined benefit)	152,775	31,868

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

3 **Operating Profit** (continued)

c) Particulars of staff:

The average monthly number of persons employed during the year was as follows	2012 Number	2011 Number
Directors	2	6
Administrative	31	34
Sales	51	55
Technical	49	50
Supply chain	31	36
Production	82	88
	246	269

Staff costs.	£	£
Wages and salaries	7,900,841	8,667,814
Social security costs	777,521	878,263
Pension cost – defined benefit scheme (note 15)	280,000	351,837
Pension cost – defined contribution scheme (note 15)	129,064	160,092
	9,087,426	10,058,006

4 **Interest receivable and similar income**	2012 £	2011 £
Interest on bank deposits	33	242
Loan interest	249	-
Other interest	209	1,648
Interest on corporation tax received	-	-
Net finance income in respect of defined benefit pension scheme (note 15)	280,000	774,000
	280,491	775,890

5 **Interest payable and similar charges**	2012 £	2011 £
Bank interest payable	-	16,029
Lease purchase interest	-	1,713
Invoice discounting interest/charges	-	23,168
Other interest payable	-	47,553
Interest payable to group companies	109,445	-
	109,445	88,463

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

6 Taxation on loss on ordinary activities

		2012		2011	
		£	£	£	£
(a)	Analysis of charge for the year				
	Current tax				
	Overseas Corporation tax on Profit for the year	15,220		-	
	Adjustment in respect of previous periods	11,875		-	
	Total current tax (note 7(b))		27,095		-
	Deferred tax				
	Origination and reversal of timing differences		(171,070)		196,000
	Deferred tax charge relating to the defined benefit pension scheme		86,485		262,000
	Taxation on loss on ordinary activities		(57,490)		458,000

(b) Factors affecting the charge for the year

The tax assessed for the year is lower (2011 higher) than the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) The differences are explained below

	2012	2011
	£	£
Profit/(Loss) on ordinary activities before taxation	3,497,554	(2,096,407)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 26.5%)	856,901	(545,066)
Effects of:		
Expenses not deductible for tax purposes	14,150	10,888
(Decrease) in provisions not deductible for tax purposes	(13,854)	50,618
Depreciation charges for the year in excess of capital allowances	44,199	210,212
Net income relating to defined benefit pension scheme calculated under FRS17 not taxable	(86,485)	(252,460)
(Tax allowances)/restriction of tax allowances upon research and development expenditure	-	(126,785)
Adjustment to tax charge in respect of previous periods	11,875	-
Effect of tax losses	(814,911)	652,593
Overseas tax	15,220	-
Current tax charge for year (note 6(a))	27,095	-

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2011

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

(c) Factors that may affect future tax charges
At the balance sheet date, the company has trade losses of approximately £1,800,000 (2011 £4,500,000) available to be used against future trading profits. The company also had unrelieved capital losses of £291,690 (2011 £291,690) available to be relieved against any future capital gains.

A deferred tax asset in relation to the trade losses has been recognised, see noted 14.

7 **Dividends**

	2012	2011
	£	£
No Dividends Paid during the year:		

8 **Tangible fixed assets**

	Land and buildings	Plant and equipment	Total
	£	£	£
Cost			
At 1 January 2012	1,830,283	16,283,054	18,113,337
Additions	-	246,462	246,462
Disposals	(8,846)	(49,785)	(58,631)
At 31 December 2012	1,821,437	16,479,731	18,301,168
Depreciation			
At 1 January 2012	770,176	13,660,172	14,430,348
Charge for the year	52,671	721,104	773,775
On disposals	-	(38,664)	(38,664)
At 31 December 2012	822,847	14,342,612	15,165,459
Net book amount at			
31 December 2012	998,590	2,137,119	3,135,709
31 December 2011	1,060,107	2,622,882	3,682,989

	2012	2011
	£	£
The net book amount of land and buildings comprises		
Freehold	943,694	1,005,211
Premium on lease	54,896	54,896
	998,590	1,060,107

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

9 **Investments : Associated companies**

	Shares at cost £	Loans £	Total £
Cost			
At 1 January 2012	250	493,084	493,334
Loans repaid	-	-	-
At 31 December 2012	250	493,084	493,334
Amount provided			
At 1 January 2012 and 31 December 2012	-	355,845	355,845
Net book amount at:			
31 December 2012	250	137,239	137,489
31 December 2011	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	(1,574,692)
Profit for the year	204,793

10 **Stocks**

	2012 £	2011 £
Raw materials and consumables	2,476,524	2,727,439
Work in progress	389,535	320,014
Finished goods and goods for resale	2,715,772	3,127,963
	5,581,831	6,175,416

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

11 **Debtors**

	2012 £	2011 £
Due in less than one year		
Trade debtors	9,791,069	6,918,477
Other debtors	20,284	26,919
Prepayments and accrued income	229,103	339,315
Corporation tax recoverable	-	11,875
Amounts owed by group companies	453,041	977,238
	10,493,497	8,273,824
Due in more than one year.		
Deferred tax asset	430,070	259,000

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

12 **Creditors: amounts falling due within one year**	2012 £	2011 £
Trade creditors	6,393,971	5,773,803
Deferred revenue	852,415	925,711
Other taxes and social security	881,993	277,956
Other creditors	59,379	54,993
Accruals	814,294	389,449
Amount owed to group companies	1,736,508	6,158,341
	10,738,560	13,580,253

13 **Operating lease commitments**

At 31 December 2012, the company had annual commitments under non-cancellable operating leases as set out below

	2012		2011	
	Land & buildings £	Other £	Land & buildings £	Other £
Leases which terminate:				
in one year or less	7,594	50,925	39,246	40,708
in more than one year but not more than five years	-	205,950	-	241,543

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

14 **Deferred taxation**	2012 £	2011 £
Deferred taxation		
Accelerated capital allowances – asset	(62,725)	(196,000)
Short-term timing differences – asset	(42,734)	(63,000)
Losses – asset	(324,611)	-
	(430,070)	(259,000)
Movement during the year		
At 1 January 2012 – asset	(259,000)	
Profit and loss account – credit	(171,070)	
At 31 December 2012 – asset (note11)	(430,070)	

The Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013 Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these accounts

The government has announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014 As this legislation was not substantively enacted by 31 December 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported 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 cost of contributions into the scheme in respect of the year ended 31 December 2012 were £280,000 (31 December 2011 £356,837) 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 2013

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 2011 £160,092)

Included in the balance sheet at 31 December 2012 are outstanding contributions in respect of all the group pension schemes of £58,695 (31 December 2011 £9,025)

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

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Contınued)

31 DECEMBER 2012

15 **Pension commitments** (continued)

A full actuarıal valuatıon was carrıed out on 5 Aprıl 2010 and updated to 31 December 2012 by a qualified ındependent actuary The major assumptions used by the actuary were

The lıfe expectancy assumption ıs one of the prıncıpal assumptıons and can be summarısed as follows:

Valuatıon date	31 December 2012	31 December 2011
Lıfe expectancy for a male pensıoner from age 65	22	22
Lıfe expectancy for a female pensıoner from age 65	24	24
Lıfe expectancy from age 65 for a male participant currently aged 45	23	24
Lıfe expectancy from age 65 for a female partıcıpant currently aged 45	26	26

	At 31/12/12	At 31/12/11
Rare of ıncrease ın pensıons ın deferment – pre Oct 2003	2.4%	0 0%
Rate of ıncrease ın pensıons ın deferment – all other	0.0%	0 0%
Rate of ıncrease ın pensıons ın payment		
- accrued pre 6 Aprıl 1997	0 0%	0 0%
- accrued post 6 Aprıl 1997 – 5 Aprıl 2006	3 00%	3 20%
- accrued post 6 April 2006	2 10%	2 50%
Dıscount rate	4 30%	4.80%
Inflatıon assumptıon - RPI	3 10%	3.20%
Inflatıon assumption - CPI	2 40%	n/a

To develop the expected long term rate of return on assets assumption for 2010, the Company considered the level of expected returns on rısk free ınvestments (prımarily government bonds), the hıstorical level of the rısk premıum assocıated wıth the other asset classes ın whıch the portfolıo ıs ınvested 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 allocatıon to develop the expected long term rate of return on assets, assumptıon for the portfolıo Thıs resulted ın an average assumptıon of 6 0% for the year endıng 2012 net pension cost calculation.

The amounts recognısed ın the profit and loss account are as follows	2012 £	2011 £
Current servıce cost	280,000	159,837
Past servıce cost	-	-
Interest on oblıgatıons	1,257,000	1,292,000
Expected return on scheme assets	(1,537,000)	(2,066,000)
	-	(614,163)

Our estimate of the P&L credıt for the year endıng 31 December 2013 is £nıl

Interest on oblıgatıons and expected return on scheme assets are included as net finance ıncome withın ınterest receıvable and other sımılar income Actuarıal losses of £3,153,000 (2011 £4,165,000) have been recognised on the statement of recognised gains and losses, as has the reduction ın the unrecognısable surplus of £2,800,000 (2011 charge of: £4,309,000).

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

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 2012, resulting in a nil pension balance sheet position.

The amounts recognised in the balance sheet are as follows

	2012 £'000	2011 £'000
Present value of funded obligations	(32,003)	(27,103)
Fair value of scheme assets	33,823	31,412
	1,820	4,309
Restriction of surplus	(1,820)	(4,309)
	-	-
Deferred tax liability	-	-
Surplus in the scheme	-	-

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

	2012 £'000	2011 £'000
Opening defined benefit obligation	27,103	24,950
Current service cost	280	160
Plan Participants' contributions	244	249
Interest cost	1,257	1,292
Actuarial losses	4,973	1,607
Benefits paid	(1,854)	(1,155)
Closing defined benefit obligation	32,003	27,103

Changes in fair value of scheme assets are as follows	2012 £'000	2011 £'000
Opening fair value of scheme assets	31,412	32,453
Expected return	1,848	2,066
Actuarial (losses)/gains	1,820	(2,558)
Employer contributions	353	357
Employee contributions	244	249
Benefits paid	(1,854)	(1,155)
Closing fair value of scheme assets	33,823	31,412

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

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·

	2012 £'000	2011 £'000
Actuarial losses	6,453	6,186

The fair value of the scheme's assets are made up as follows

	% of total	Expected rate of return
Cash	1	0 90%
Bonds	24	3.70%
Equities	54	6.65%
Funds & Hedge Funds	21	5.20%
	100	

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

	2012 £000's	2011 £000's	2010 £000's	2009 £000's	2008 £000's
Defined benefit obligation	(32,003)	(27,103)	(24,950)	(22,590)	(20,233)
Fair value of scheme assets	33,823	31,412	32,453	29,815	24,773
Surplus in the scheme before restriction	1,820	4,309	7,503	7,225	4,540
Restriction of surplus	(1,820)	(4,309)	-	-	-
Surplus in the scheme after restriction	-	-	7,503	7,225	4,540
Deferred tax liability	-	-	(2,026)	(2,023)	(1,271)
Surplus in the scheme	-	-	5,477	5,202	3,269
Experience adjustments on scheme liabilities	(2,977)	(99)	300	-	-
Experience adjustments on scheme assets	1,820	(2,558)	1,574	4,049	(8,274)

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 2011, rather than the Retail Prices Index measure of price inflation We understand that the non-discretionary pension increases 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			
	2012	2011	2012	2011
	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 2012

17 Reserves

	Capital redemption reserve £	Share premium account £	Profit and loss account £	Total £
At 1 January 2012	43,230	117,713	6,492,325	6,653,268
Profit for the financial year	-	-	3,555,044	3,555,044
Actuarial valuation loss on defined benefit pension scheme asset (net of deferred tax)	-	-	(266,515)	(266,515)
At 31 December 2012	43,230	117,713	9,780,854	9,941,797

	2012 £	2011 £
Profit and loss reserve (excluding pension reserve)	9,780,854	6,492,325
Pension reserve	-	-
Profit and loss reserve	9,780,854	6,492,235

18 Reconciliation in movements in shareholders' funds

	2012 £	2011 £
Profit/(Loss) for the financial year	3,555,044	(2,554,407)
Actuarial valuation (losses) on defined benefit pension scheme assets (net of deferred tax charge)	(266,515)	(6,186,000)
Net increase/(depletion in) shareholders' funds	3,288,529	(8,740,407)
Opening shareholders' funds	6,746,788	15,487,195
Closing shareholders' funds	10,035,317	6,746,788

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2012

19 Capital commitments

	2012	2011
	£	£
Capital expenditure contracted but not provided for in the accounts	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