COMPANY NUMBER 00893081

SHERWIN-WILLIAMS PROTECTIVE & MARINE COATINGS

FINANCIAL STATEMENTS

31 DECEMBER 2015

Sherwin –Williams Protective and Marine Coatings

CONTENTS

Sherwin –Williams Protective and Marine Coatings

COMPANY INFORMATION

Mr C M Connor
Mr H S Hargreaves (resigned 06/10/2015)
Mr S P Hennessy
Mr V Miller (Appointed 15/01/2015)
Mr I Walker (appointed 06/10/2015)

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

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Sherwin-Williams Protective and Marine Coatings

Strategic report

Principal activity

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

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's leading manufacturers in this area and provides its products to a wide range of customers operating within the steel, marine, oil, gas, chemical, and transport markets. The risks inherent within this sphere of activity are the continuation of raw material availability and price pressures.

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 continues to 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.

Key Performance indicators

The results for the year are set out in the profit and loss account on page 9. These continue to be areas of focus for management as key performance indicators.

The company manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of its particular business. The performance of the company is discussed in the group's Annual Report and Accounts.

Principal risks and uncertainties

The company's principal financial instruments comprised bank balances, trade debtors, trade creditors, finance leases and loans from group companies. 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 creditor's 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.

Strategic report (continued)

Future developments

The directors expect the general level of activity to remain consistent with 2015. This is a result of continued robust demand in the domestic market, as well as uncertain geopolitical, regulatory and economic conditions in the export segment.

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

V Miller
Director

1 March 2016

Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

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

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.

Research and development

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

Existence of branches outside the UK

The company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK

Going concern

The company operates in a low growth market environment which is set to continue in 2016 being further exacerbated by the economic downturn. The company continues to manage this risk by developing innovation in its product range, maintaining a very strong brand presence through advertising and promotional literature spend. 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.

Results and dividends

The loss for the year, after taxation, amounted to £97,618 (2014: loss of £2,375,992). There have been no dividends paid in the year (2014: nil). The increase of the surplus on the pension scheme asset of £5,207,000 (2014: £5,207,000 reduction) and the recognition of the actuarial gain for the year of £2,228,000 (2014: £3,841,600 loss) in the Statement of recognised gains and losses has meant the level of retained profit in 2015 has increased by £1,784,642 (2014: decrease of £6,295,592).

Financial risk management objectives and policies

The company is exposed to various financial risks arising from its underlying operations and finance activities. The company is primarily exposed to market risk (i.e. interest rate and currency risk) and to credit and liquidity risk. Financial risk management within the company is governed by policies and guidelines approved by the senior management. These policies and guidelines cover interest rate risk, currency risk, credit risk and liquidity risk.

Group policies and guidelines also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. Compliance with the policies and guidelines is managed by segregated functions within the Group. The objective of financial risk management is to contain, where deemed appropriate, exposures to the various types of financial risks mentioned above in order to limit any negative impact on the Group's results and financial position.

In accordance with its financial risk policies, the Group manages its market risk exposures by using financial instruments when deemed appropriate. It is the Group's policy and practice neither to enter into derivative transactions for trading or speculative purposes, nor for any purpose unrelated to the underlying business

Directors' report (continued)

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 2015; 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.

Directors

The directors, who served during the year except as noted], were as follows:
Mr C M Connor
Mr H S Hargreaves (Resigned 06/10/2015)
Mr S P Hennessy
Mr V Miller (Appointed 15/01/2015)
Mr I Walker (appointed 06/10/2015)

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.

Employee consultation

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

Disclosure of relevant information to the auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors on 1 March 2016
and signed on behalf of the Board

V Miller
Director

Directors' responsibilities statement

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

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

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

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

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.

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 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 22. 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of itsloss 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
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Matthew Hughes Bsc (Hons) ACA(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

18 March 2016

Sherwin-Williams Protective and Marine Coatings

Profit and loss account
Year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	42,342,817	41,615,268
Operating expenses:			
Changes in stock of finished goods and in work in progress		(320,322)	(398,860)
Raw materials and consumables		(20,607,367)	(22,986,824)
Staff costs	7	(9,382,404)	(9,926,773)
Depreciation		(661,024)	(603,437)
Other operating charges		(11,444,320)	(10,537,338)
		(42,415,437)	(44,453,232)
Operating loss	6	(72,620)	(2,837,964)
Interest receivable and similar income	5	173,356	319,916
Interest payable and similar charges	4	(156,361)	(98,962)
Loss on ordinary activities before taxation		(55,625)	(2,617,010)
Taxation on loss on ordinary activities	9	(41,994)	241,020
Loss for the financial year		(97,618)	(2,375,990)

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.

Statement of comprehensive income

	2015 £	2014 £
Loss for the financial year	(97,618)	(2,375,992)
Gains/ (losses) in respect of company share option schemes	62,441	(95,122)
UK deferred tax attributable to share option schemes	(11,239)	17,122
Actuarial gain/(loss) relating to pension scheme	2,233,000	(4,802,000)
UK deferred tax attributable to actuarial (gain)/loss	(401,940)	960,400
Total comprehensive income	1,784,644	(6,295,592)

Sherwin-Williams Protective & Marine Coatings

Balance sheet
31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	10	5,392,588	4,890,697
Investments in associated companies	11	137,489	137,489
		5,530,077	5,028,186
Current assets			
Stocks	12	4,552,959	4,239,815
Debtors – due in less than one year	13	10,177,053	11,129,773
Debtors – due in more than one year	13	-	86,307
Cash at bank and in hand		(78,478)	24,889
		14,651,534	15,480,784
Creditors: amounts falling due within one year	14	(13,218,550)	(13,642,064)
Net current assets		1,432,984	1,838,720
Net assets excluding pension scheme asset		6,963,061	6,866,906
Provisions for liabilities	15	(539,513)	-
Pension scheme asset	19	4,669,000	2,441,000
Net assets including pension scheme asset		11,092,548	9,307,906
Capital and reserves			
Called up share capital	17	93,520	93,520
Capital redemption reserve		43,230	43,230
Share premium account		117,713	117,713
Profit and loss account		10,838,085	9,053,443
Shareholders' funds		11,092,548	9,307,906

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

V Miller
Director
1 March 2016
Company Registration Number: 893081

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

Statement of changes in equity
31 December 2015

	Called up Share Capital £'000	Capital Redemption Account £'000	Profit and Loss Account £'000	Total £'000
At 31 December 2013 (as previously stated)	**211,233**	**43,230**	**9,918,633**	**10,173,096**
Changes on transition to FRS102 (see note 21)	-	-	5,430,400	5,430,400
At 1 January 2014 (as restated)	**211,233**	**43,230**	**15,349,033**	**15,603,496**
Loss for the financial year	-	-	(2,375,992)	(2,375,992)
Other comprehensive income	-	-	(3,841,600)	(3,841,600)
Total comprehensive income	-	-	(6,217,592)	(6,217,592)
Changes on transition to FRS102 (see note 21)	-	-	(78,000)	(78,000)
At 1 January 2015 (as restated)	**211,233**	**43,230**	**9,053,441**	**9,307,904**
Profit for the financial year	-	-	(97,618)	(97,618)
Other comprehensive income	-	-	1,831,060	1,831,060
Total comprehensive income	-	-	1,733,442	1,733,442
Movements in equity associated with share based payments	-	-	51,202	51,202
At 31 December 2015	**211,233**	**43,230**	**10,838,085**	**11,092,548**

1. **Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

a. General information and basis of accounting

Sherwin-Williams Protective and Marine Coatings is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior period financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 21.

The functional currency of Sherwin-Williams Protective and Marine Coatings is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Sherwin-Williams Protective and Marine Coatings meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

b. Going concern

The Directors have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Company's ability to continue as a going concern for the foreseeable future. In forming this view the Directors have considered the Company's budgets and trading forecasts and the committed bank facilities available to the Company together with forecast headroom against those borrowing facilities including the impact of reasonable sensitivities.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on cost in equal monthly instalments over the estimated useful lives of the assets. Freehold land and assets under the course of construction are not depreciated. The rates of depreciation for other assets are as follows:

Freehold Buildings	2% per annum Straight line
Plant and Machinery – laboratory	20% per annum straight line
Plant and Machinery – Other Long Life	10% per annum straight line
Plant and Machinery – 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 straight line

d. Fixed asset investments

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

e. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

1. **Accounting policies (continued)**

f. 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 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. Turnover

Turnover represents the value of goods sold and services provided, after deduction of trade discounts rebates and value added tax. Sales revenue is recognised in the financial statements when goods are despatched.

1. **Accounting policies (continued)**

g. Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, 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 credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other 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.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

h. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above);

- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and

- in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

i. Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) 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 periodic rate of interest on the remaining balance of the liability.

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.

Notes to the financial statements (continued)

1. **Accounting policies (continued)**

j. Share-based payment

The Company grants to certain employees rights to equity instruments of The Sherwin Williams Company, its parent company. The required disclosures are therefore included in The Sherwin Williams Company consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

2. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

3. **Turnover**

An analysis of the Company's turnover by geographical market it set out below:

		2015	2014
		£	£
With third parties	- Great Britain	30,090,993	27,203,686
	- Other	10,953,243	12,152,092
With fellow subsidiaries -			
	- USA	878,169	1,272,418
	- Europe	137,949	588,542
	- Great Britain	282,463	398,530
		42,342,817	41,615,268

4. **Finance costs (net)**

	2015	2014
	£	£
Interest payable to group companies	156,361	98,962

5. Investment income

	2015	2014
	£	£
Interest income in respect of defined benefit pension scheme	96,000	319,000
Other interest	77,356	916
	173,356	319,916

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015	2014
Operating profit is after charging:	£	£
Depreciation of tangible fixed assets	661,026	603,437
Loss on disposal of fixed assets	-	7,021
Operating lease rentals	356,292	515,263
Research and development costs	1,698,982	1,759,878
Foreign exchange loss	83,580	120,428

The analysis of auditor's remuneration is a follows:

	2015	2014
	£	£
Fees payable to company's auditor for the audit of the company's annual accounts	45,000	45,000
Tax services	15,807	15,807

7. Staff costs

The average monthly number of employees (including directors) was:

	2015	2014
Average number of persons employed	Number	Number
Production	123	133
Sales and distribution	75	76
Administration	25	36
	223	245

Their aggregate remuneration comprised:	£	£
Wages and salaries	8,385,688	8,921,786
Social security costs	687,149	761,556
Pension costs	309,567	338,553
	9,382,404	10,021,895

8. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	102,633	403,091

The number of directors who:

	Number	Number
Are members of the defined benefit pension scheme	0	1

Remuneration of the highest paid director:		
Emoluments	67,619	386,075
Company contributions to money purchase schemes	3,382	17,016

9. Tax on profit on ordinary activities

The tax charge comprises:

	2015 £	2014 £
Current tax on profit on ordinary activities		
UK corporation tax	-	(190,182)
Double tax relief	-	30,051
Adjustments in respect of prior years		
UK corporation tax	(172,188)	21,206
Foreign tax	1,540	-
Total current tax	(170,648)	(138,925)
Deferred tax		
Origination and reversal of timing differences	262,362	(210,217)
Effect of increase in tax rate on opening liability	-	38,922
DT Charges relating to the pension scheme	(49,720)	69,200
Total deferred tax (see note 16)	212,642	(102,095)
Total tax on profit on ordinary activities	41,994	(241,020)
Total current and deferred tax relating to items of other comprehensive income	413,179	977,522

The standard rate of tax applied to reported profit on ordinary activities is 20.25 per cent (2014: 20.5 per cent). The applicable tax rate has changed following the substantive enactment of the Finance Act 2015 on 26 October 2015. This includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As these rates have been substantively enacted in tax legislation, deferred tax balances have been calculated with reference to these rates in line with the expected period of reversal of the deferred tax balances.

There is no expiry date on timing differences, unused tax losses or tax credits.

9. Tax on profit on ordinary activities (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2015 £	2014 £
Profit/(Loss) on ordinary activities before tax	(55,625)	(2,617,010)
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25 per cent (2014:21.49 per cent)	11,264	(606,467)
Effects of:		
- Expenses not deductible for tax purposes	29,190	35,396
- Adjustment in respect of prior year	-	300,000
- Overseas Tax	1,540	30,051
Total tax credit/(charge) for period	41,994	(241,020)

10. Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 2015	2,833,471	18,432,737	21,266,208
Additions	-	1,162,917	1,162,917
At 31 December 2015	2,833,471	19,595,654	22,429,125
Accumulated depreciation			
At 1 January 2015	965,041	15,410,470	16,375,511
Charge for the year	88,340	572,686	661,026
At 31 December 2015	1,053,381	15,983,156	17,036,537
Net book value			
At 31 December 2015	1,780,090	3,612,498	5,392,588
At 31 December 2014	1,868,430	3,022,267	4,890,697

11. Fixed asset investments

	Company 2015	Company 2014
	£	£
Associates	137,489	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	(920,227)
Profit for the year	169,749

12. Stocks

	2015	2014
	£	£
Raw materials and consumables	2,125,035	1,602,353
Work in progress	305,454	426,789
Finished goods and goods for resale	2,122,470	2,210,673
	4,552,959	4,239,815

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

13. Debtors

	2015	2014
	£	£
Amounts falling due within one year:		
Trade debtors	9,343,952	9,811,154
Other debtors	35,558	11,882
Prepayments and accrued income	283,824	326,370
Corporation tax to be repaid	63,803	152,926
Amounts owed by group companies	449,913	827,439
	10,177,054	11,129,771
Amounts falling due in more than one year:		
Deferred tax asset	-	86,307

14. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	4,530,706	4,489,944
Deferred revenue	828,452	677,327
Other taxes and social security	694,349	661,784
Other creditors	4,847	76,383
Accruals	1,186,471	1,076,466
Amount owed to group companies	5,973,725	6,660,160
	13,218,550	13,642,064

15. Provision for liabilities

	Deferred taxation (note 16) £
At 1 January 2015	86,307
Charged to Other Comprehensive income	(413,181)
Charged to profit and loss account	(212,639)
At 31 December 2015	(539,513)

16. Deferred taxation

	Recognised		Unrecognised	
	2015 £	2014 £	2015 £	2014 £
Deferred tax provided (2015: 18% 2014: 19%)				
Accelerated capital allowances	(16,333)	126,634	-	-
Liability re Pension scheme asset	(840,420)	(488,200)	-	-
Withholding tax on R&D Credit	60,103	-	-	-
Asset attributable to taxable losses	202,124	588,899		
Not recognised	(300,000)	(300,000)	300,000	300,000
Other short term timing differences	355,013	158,974	-	-
	(539,513)	86,307	300,000	300,000

17. Called up share capital

	2015 £	2014 £
Called-up, allotted, and fully paid		
62,500 10% preference shares of 1p	625	625
84,450 6% second preference shares of £1	84,450	84,450
84,450 10% Third preference shares of 5p	4,222	4,222
84,450 New ordinary shares of 5p	4,223	4,223

Sherwin-Williams Protective and Marine Coatings

Notes to the financial statements (continued)

17. Called up share capital (continued)

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.

18. Financial commitments

	2015	2014
	£	£
Capital commitments		
Contracted for but not provided	127,127	163,536

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Company				
- within one year	39,824	55,734	92,006	264,286
- between one and five years	-	531,565	39,824	-
- after five years	-	-	-	-
	39,824	587,299	131,830	264,286

19. Employee benefits

Defined benefit schemes

The Scheme is a funded scheme of the defined benefit type, providing retirement benefits based on members career averaged earnings. The Scheme has assets held in a seperatley administered fund managed by a Board of Trustees.

The Company and the Trustee have agreed a funding plan to ensure the Scheme is sufficiently funded to meet current and future obligations. A formal schedule of contributions was drawn up on 5 June 2014 whereby the company will pay 6.0% of salary up to the upper accrual point and 9.3% of salary above the upper accrual point, to cover accrual of benefits for future service.

The latest funding valuation for the scheme was completed as at 5 April 2013 and the valuation below has been based on this assessment. 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.

	Valuation at	
	2015	2014
Key assumptions used:		
Discount rate	3.9%	3.5%
Future pension increases – Post April 2006 accrual	2.2%	2.1%
Future pension increases – April 1997 to April 2006	3.2%	3.1%
Salary increase	4.2%	4.1%
Inflation – RPI	3.3%	3.2%
Inflation – CPI	2.3%	2.2%
Mortality assumptions:		

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Notes to the financial statements (continued)

19. **Employee benefits (continued)**

	Valuation at	
	2015 years	2014 years
Retiring today:		
Males	87	87
Females	89	89
Retiring in 20 years:		
Males	89	89
Females	91	91

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2015 £	2014 £
Current service cost	411	210
Net interest cost	(96)	(319)
Total cost relating to defined benefit scheme	315	(109)

The amount included in the balance sheet arising from the companys obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2015 £	2014 £
Present value of defined benefit obligations	(33,640)	(36,555)
Fair value of scheme assets	38,309	38,996
Gross Pension Asset	4,669	2,441
Deferred tax	(887)	(488)
Net asset recognised in the balance sheet	3,782	1,953

Movements in the present value of defined benefit obligations were as follows:

	2015 £	2014 £
At 1 January	36,555	31,341
Service cost	411	210
Interest cost	1,252	1,372
Contributions by scheme participants	215	240
Actuarial gains and losses in respect of assumptions	(2,063)	5,406
Actuarial gains and losses in respect of experience	(79)	70
Net benefits paid out	(2,651)	(2,084)
At 31 December	33,640	36,555

Notes to the financial statements (continued)

19. Employee benefits (continued)

Movements in the fair value of scheme assets were as follows:

	2015	2014
	£	£
At 1 January	38,996	38,129
Interest income on scheme assets	1,348	1,691
Actuarial gains and losses	91	674
Contributions from the employer	311	346
Contributions from scheme participants	214	240
Benefits paid	(2,651)	(2,084)
At 31 December	38,309	38,996

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	2015	2014
	£	£
Equity instruments	21,233	21,355
Gilts	5,706	-
Corporate bonds	9,354	9,385
Hedge Funds	1,809	8,187
Other assets	207	69
	38,309	38,996

20. Related party transactions

The company is a wholly owned subsidiary within the group, and utilises the exemption contained in FRS 102 section 33 2.2, "Related Party Disclosures", not to disclose any transactions with entities that are part of the group.

21. Ultimate parent company and controlling party

The immediate parent company is Sherwin Williams UK Holding Limited. The ultimate parent company is The Sherwin Williams Company, a company incorporated in the United States of America. The address from which financial statements of the group can be obtained is The Sherwin Williams Company, 101 Prospect Avenue, N.W, Cleveland, Ohio, 4115-1075. The Sherwin Williams Company heads the largest and smallest group for which consolidated financial statements are prepared and of which the company is a member.

Notes to the financial statements (continued)

22. Explanation of transition to FRS102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

In line with section 26 Share-based Payments of FRS 102, if a share-based payment award is granted by a parent to the employees of one or more members in a group, the members are permitted to recognise and measure the share-based payment expense on the basis of reasonable allocation of the expense for the Group. As such, at 31 December 2014, an expense relating to exercised share options in the year was reallocated to the profit and loss reserve and the applicable fair value charge for the existing share options was recognised in the profit and loss account. This resulted in an increase in profit and a decrease in the profit and loss reserve of £95,122.

In line with section 28 Employee Benefits of FRS 102, an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future of through refunds from the plan. As such, at 1 January 2014, a pension scheme asset of £5,430,400 was recognised therefore restating the opening reserves. During the year ended 31 December 2014, the above asset reduced to £1,952,800 with actuarial movements being recognised in the Statement of Comprehensive Income.