

Company Registration No. 7148590

**Sherwin-Williams UK Coatings
Limited**

Report and Financial Statements

Year ended 31 December 2011



**Deloitte LLP
Leeds**

Sherwin-Williams UK Coatings Limited

Report and Financial Statements 2011

Contents	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Sherwin-Williams UK Coatings Limited

Report and Financial Statements 2011

Officers And Professional Advisers

Directors

Mr C Connor (USA)
Mr S P Hennessy (USA)
Mr D Mccandless (USA)
Mr P Barrow (UK)
Mr H Hargreaves (UK)

Registered office

Thorncliffe Park
Chapelton
Sheffield
S35 2YP

Bankers

HSBC
Carmel House
49-63 Fargate
Sheffield
S1 2HD

Solicitors

DLA Piper UK LLP
1 St Paul's Place
Sheffield
S1 2JX

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

Sherwin-Williams UK Coatings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activity and business review

The principal activity of the company is the manufacture and distribution of coatings products for use in manufacturing industries

The audited financial statements for the period ended 31 December 2011 are set out on pages 6 to 15. The company's loss for the year after taxation was £66,272 (2010 profit £96,067) and the company has net assets of £29,796 (2010 net assets £96,068)

No dividend is proposed (2010 nil)

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing products with unique selling points supported by a continual process of product development in the Sherwin-Williams Group in Europe and USA. The company has fast response times not only in supplying products but in handling all technical queries, and by maintaining strong relationships with customers.

Continued investment in improving the efficiency of the business is planned to ensure the impact of increasing volatility of cost increases is kept to a minimum.

The company's sales are principally in Sterling, though the majority of raw material costs are based in Euro. This gives rise to a significant foreign exchange risk, which is not managed by any forward contracts in place at the end of the year. The only natural hedge is sales to Ireland which are almost exclusively Euro denominated.

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.

Directors

Directors serving throughout the year and subsequently are set out below

Mr C Connor

Mr D Mccandless

Mr S P Hennessy

Mr P Barrow

Mr H Hargreaves

At no time during the financial year did any of the directors have any interest in the shares or debentures of the company, other than those shown in the Annual Report and Accounts of the parent company, The Sherwin-Williams Company.

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.

Sherwin-Williams UK Coatings Limited

Directors' report (continued)

Charitable and political donations

During the year the company made no charitable donations or political donations

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities

Employment policies

The company is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, race, colour, sexual orientation, religious or philosophical beliefs

It is the policy of the company that disabled people, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's ability.

Employees of the company are regularly consulted by the directors and managers and kept informed of matters affecting them and the overall development of the company.

The company has a positive approach to health and safety at work and regards compliance with statutory requirements as a minimum standard. Additional resources have been made available to ensure that continuing progress is made towards achieving a healthier and safer working environment for all employees.

Disclosure of relevant information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

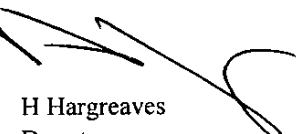
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors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

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
and signed on behalf of the Board


H Hargreaves
Director
27/2/2012

Sherwin-Williams UK Coatings Limited

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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 MEMBERS OF SHERWIN-WILLIAMS UK COATINGS LIMITED

We have audited the financial statements of Sherwin-Williams UK Coatings Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

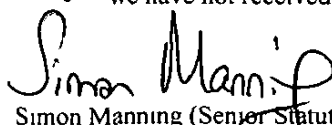
Opinion on other matter prescribed by the Companies Act 2006

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.

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 (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds

27 February 2012

Sherwin-Williams UK Coatings Limited

Profit and loss account

Year ended 31 December 2011

		Year ended 31 December 2011 £	11 month period ended 31 December 2010 £
	Note		
Turnover	2	8,711,355	5,900,775
Cost of sales		(6,814,008)	(4,144,605)
Gross profit		1,897,347	1,756,170
Distribution costs		(1,318,815)	(1,594,799)
Administration Costs		(558,428)	48,550
Other operating Income		-	1,950
Operating profit		20,104	211,871
Interest payable	3	(103,733)	(78,233)
(Loss) / profit on ordinary activities before taxation		(83,629)	133,638
Tax on profit on ordinary activities	6	17,357	(37,571)
Retained (loss) / profit for the financial period	16	(66,272)	96,067

All results are derived from continuing operations

There are no recognised gains and losses for the current or preceding financial period, other than as stated above
Therefore, no statement of total recognised gains and losses has been presented

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

Sherwin-Williams UK Coatings Limited

Balance sheet 31 December 2011

	Note	2011 £	2010 £
Fixed assets			
Intangible assets	7	1,239,619	1,239,619
Tangible assets	8	170,268	194,023
		<u>1,409,887</u>	<u>1,433,642</u>
Current assets			
Stocks	9	1,357,001	1,038,031
Debtors	10	2,936,306	1,528,176
Cash at bank and in hand		2,773	244,611
		<u>4,296,080</u>	<u>2,810,818</u>
Creditors, amounts falling due within one year	11	<u>(3,854,322)</u>	<u>(2,272,958)</u>
Net current assets		441,758	537,860
Total assets less current liabilities		1,851,645	1,971,502
Creditors: amounts falling due after more than one year	12	<u>(1,772,781)</u>	<u>(1,826,366)</u>
Provision for liabilities	13	<u>(49,068)</u>	<u>(49,068)</u>
Net assets		<u>29,796</u>	<u>96,068</u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account	16	29,795	96,067
Shareholders' funds	17	<u>29,796</u>	<u>96,068</u>

The financial statements for Sherwin-Williams UK Coatings Limited, registered company 7148590, were approved by the Board of Directors on 27/2/2012

Signed on behalf of the Board of Directors

H Hargeaves
Director

27/2/2012

The accompanying notes are an integral part of this balance sheet

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

1. Accounting policies

The principal accounting policies adopted are described below and have been applied consistently in the current and prior period

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom 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

A cash flow statement has not been produced as the company's ultimate parent undertaking, The Sherwin Williams Company, publishes a consolidated cashflow statement

Intangible fixed assets

In accordance with FRS10 'Goodwill and Intangible Assets', goodwill arising on the acquisition of a business is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years. The directors regard 20 years as a reasonable period for the estimated useful life of goodwill

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. Freehold land is not depreciated. The rates of depreciation for other assets are as follows

Leasehold Land & Buildings	Term of Lease
Plant and machinery	5 – 15 years
Fixtures, fittings, tools and equipment	3 – 10 years
Motor Vehicles	4 Years

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour, warehouse research and development and production overheads appropriate to the relevant 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

Taxation

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

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

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

1. Accounting policies (continued)

Taxation (continued)

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 substantially 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

Provisions Accounting Policy

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term

Defined contribution pension scheme costs

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

Foreign currencies

Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences are dealt with in the profit and loss account

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit are attributable to one activity, the manufacture and merchandising of varnishes, stains and related products for the trade and DIY markets. Turnover is recognised on the despatch of goods

	Year ended 31 December 2011 £	11 month period ended 31 December 2010 £
United Kingdom	7,520,319	5,150,858
Europe	1,191,036	749,917
	<u>8,711,355</u>	<u>5,900,775</u>

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

3 Interest payable

	Year ended 31 December 2011 £	11 month period ended 31 December 2010 £
Intercompany Loan	103,733	78,233

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	Year ended 31 December 2011 £	11 month period ended 31 December 2010 £
Depreciation - owned assets	54,294	47,965
Foreign exchange gains	(25,611)	(129,693)
Rentals under operating leases		
Hire of plant and machinery	92,433	53,554
Fee's payable to the company's auditors for the audit of the annual accounts	18,045	18,033

5. Information regarding directors and employees

No amounts were paid to, or received by, any director of the company specifically in respect of their services as a director of the company or otherwise in connection with the management of its affairs. It is not practicable to allocate directors' remuneration between their services to group companies.

Average number of persons employed	Year ended 31 December 2011 £	11 month period ended 31 December 2010 No
Production	9	7
Sales and distribution	13	16
Administration	8	6
	30	29

Staff costs during the year	£
Wages and salaries	1,129,826
Social security costs	87,305
Pension costs	42,620
	1,259,751

	£
Wages and salaries	943,537
Social security costs	75,946
Pension costs	39,814
	1,059,297

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

6 Tax on (loss) / profit on ordinary activities

The tax charge is based on the (loss) / profit for the year and comprises

	Year ended 31 December 2011 £	11 month period ended 31 December 2010 £
Current tax		
United Kingdom corporation tax at 26.5%	(15,621)	41,682
Prior year adjustments	(734)	-
Total current taxation	(16,355)	41,682
Deferred tax		
Origination and reversal of timing differences	(2,076)	(4,111)
Adjustment in respect of previous periods	705	-
Effect of changes in tax rates	369	-
Total deferred taxation	(1,002)	(4,111)
Total taxation on (loss) / profit on ordinary activities	(17,357)	37,571

The tax assessed for the year is lower/higher than that resulting from applying the standard rate of corporation tax in the UK 26.5%. The differences are explained below

	Year ended 31 December 2011 £	11 month period ended 31 December 2010 £
(Loss) / profit on ordinary activities before tax	(83,629)	133,638
Tax at 26.5% thereon	(22,156)	37,419
Effect of		
Expenses not deductible for tax	4,458	-
Capital allowances in excess of depreciation	2,077	4,263
Adjustment to tax in respect to prior period	(734)	-
Current tax (credit) / charge	(16,355)	41,682

The company's future tax charge will be affected by the change in the UK corporation tax rate

The Finance Act 2011, which was substantively enacted in July 2011, included provisions to reduce the rate of corporation tax to 26% with effect from 1 April 2011 and 25% with effect from 1 April 2012. Accordingly, deferred tax balances have been revalued to the lower rate of 25% in these accounts.

The government has announced that it intends to further reduce the rate of corporation tax to 24% with effect from 1 April 2013 and 23% from 1 April 2014. As this legislation was not substantively enacted by 31 December 2011, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts.

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2011 and 31 December 2011	1,239,619
Net book value	
At 31 December 2011 and 31 December 2010	1,239,619

8. Tangible fixed assets

The movement in the year was as follows

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor Vehicles £	Total £
Cost					
At 1 January 2011	24,704	98,023	109,161	10,100	241,988
Additions	-	20,187	10,352	-	30,539
At 31 December 2011	24,704	118,210	119,513	10,100	272,527
Depreciation					
At 1 January 2011	4,099	19,333	22,639	1,894	47,965
Charge for the year	5,466	18,319	27,984	2,525	54,294
At 31 December 2011	9,565	37,652	50,623	4,419	102,259
Net book value					
At 31 December 2011	15,139	80,558	68,890	5,681	170,268
At 31 December 2010	20,605	78,690	86,522	8,206	194,023

9 Stocks

	2011 £	2010 £
Raw materials and consumables	151,122	131,295
Work-in-progress	2,108	1,195
Finished goods and good for resale	1,203,771	905,541
	1,357,001	1,038,031

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

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

10. Debtors

	2011 £	2010 £
Amounts falling due within one year		
Trade debtors	2,084,641	1,458,547
Prepayments and accrued income	86,234	62,000
Corporation Tax	15,621	-
Deferred tax asset (note 14)	5,113	4,111
Amounts owed by fellow group undertakings	744,697	3,518
	<u>2,936,306</u>	<u>1,528,176</u>

11. Creditors: Amounts falling due within one year

	2011 £	2010 £
Bank Overdraft	106,276	-
Trade creditors	396,890	525,608
Other creditors	-	20,962
Amounts owed to fellow group undertakings	2,637,786	679,188
Corporation Tax	-	41,684
Other taxation and social security	334,065	247,555
Accruals and deferred income	379,305	757,962
	<u>3,854,322</u>	<u>2,272,958</u>

12 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts owed to group undertakings	<u>1,772,781</u>	<u>1,826,366</u>

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

13 Provisions for Liabilities

The movement on provisions for liabilities comprises

Dilapidation provision on leasehold premises	£
At 1 January 2011	49,068
Charged to profit and loss account	-
At 31 December 2011	<u>49,068</u>

Provisions relate to future dilapidation costs associated with properties occupied by the company. The provision is expected to be fully utilised by 2019.

14. Deferred taxation

The Deferred tax asset is made up as follows

	Recognised 2011 £	Unrecognised 2011 £	Recognised 2010 £	Unrecognised 2010 £
- At 1 st January	4,111	-	-	-
- Accelerated capital allowances	1,707	-	4,111	-
- Prior year adjustment	(705)	-	-	-
Balance 31 st December	<u>5,113</u>	<u>-</u>	<u>4,111</u>	<u>-</u>

15. Called up share capital

	2011 £	2010 £
Authorised:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>
Allotted, called up and fully paid:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

16. Reserves

	Profit and loss account £
At 1 January 2011	96,067
(Loss) / profit for the financial period	<u>(66,272)</u>
At 31 December 2011	<u>29,795</u>

Sherwin-Williams UK Coatings Limited

Notes to the financial statements Year ended 31 December 2011

17. Reconciliation of movements in shareholders' funds

	2011 £	2010 £
(Loss) / profit for the financial period	(66,272)	96,067
Issue of Ordinary Share Capital	-	1
Opening shareholders' funds	96,068	-
	<u>29,796</u>	<u>96,068</u>
Closing shareholders' funds	<u>29,796</u>	<u>96,068</u>

18. Financial commitments

	2011 £	2010 £
Operating leases which expire		
Within one year	6,136	23,263
Within 2 to 5 years	216,681	206,883
	<u>222,817</u>	<u>230,146</u>

19. Related party transactions

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

20. Ultimate parent company

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.