

**Company Registration No. 7148590**

**Sherwin-Williams UK Coatings Limited**

**Annual report and Financial Statements**

**For the year ended 31 December 2015**

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# **Sherwin-Williams UK Coatings Limited**

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# **Sherwin-Williams UK Coatings Limited**

## **Officers and Professional Advisers**

### **Directors**

Mr C Connor (USA)  
Mr G Buchan (British)  
Mr S P Hennessy (USA)  
Mr T Bergdahl (Swedish)

### **Secretary**

Mr H Hargreaves (British)

### **Registered office**

Sherwin-Williams UK Coatings Limited  
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

## Strategic Report

### Principal activity

The company's principal activity comprises of the manufacture, marketing and selling of surface coatings products, these being predominantly woodcare and waterproofing products to the trade and DIY markets. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

### Business review

The company continues to invest in both research and development and improving its fixed asset base by which Sherwin-Williams UK Coatings will continue to improve both customer service levels and overall efficiency.

The audited financial statements and related notes for the period ended 31 December 2015 are set out on pages 7 to 21. Revenue in the year decreased from £16,376,535 to £16,272,710. The company's loss for the year after taxation was £499,831 (2014: £1,179,570) and the company has net liabilities of £1,664,052 (2014: net liabilities: £1,196,340). These continue to be areas of focus for management as key performance indicators.

No dividends have been paid or proposed during the year (2014: nil).

### 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 Annual Report and Accounts of Sherwin Williams Company, a company incorporated in the United States of America.

### 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.

### Future developments

The directors expect the general level of activity to increase by around 7.7% in the forthcoming year. This is as a result of organic growth of the current customer base as well as gaining further market share with the generation of new custom.

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



G Buchan  
Director

1 March 2016

# **Sherwin-Williams UK Coatings Limited**

## **Directors' Report**

The directors present their annual report and the audited 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.

### **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. 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**

For discussion on the Company results for the year please refer to the Business Review in the Strategic Report. Dividends of £nil (2014: £nil) were paid in the year.

### **Directors and their interests**

Directors serving throughout the year and subsequently are set out below:

Mr D Karnstein (resigned 1 June 2015)

Mr C Connor

Mr G Buchan

Mr T Bergdahl (Appointed 1 June 2015)

Mr S P Hennessy

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.

### **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.

# Sherwin-Williams UK Coatings Limited

## Directors' Report (continued)

### 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.

### 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:

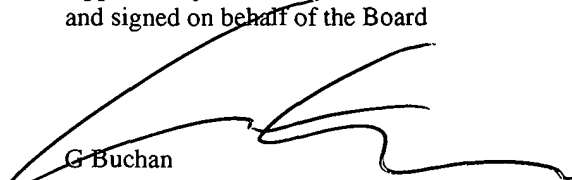
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor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



G Buchan  
Director

1 March 2016

# **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). 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 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 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 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 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 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.

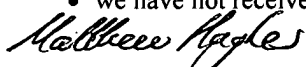
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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.



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 UK Coatings Limited

## Profit and loss account Year ended 31 December 2015

	Note	2015 £	2014 £
<b>Turnover</b>	3	16,272,710	16,376,535
Cost of sales		(12,087,997)	(12,990,137)
<b>Gross profit</b>		4,184,713	3,386,398
Distribution costs		(1,936,539)	(2,204,083)
Administrative expenses		(2,690,109)	(2,552,538)
<b>Operating loss</b>	5	(441,935)	(1,370,223)
Interest payable	4	(163,856)	(168,679)
<b>Loss on ordinary activities before taxation</b>		(605,791)	(1,538,902)
Tax on loss on ordinary activities	8	105,960	359,332
<b>Loss on ordinary activities after taxation for the financial year</b>		(499,831)	(1,179,570)

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

The above results all arise from continuing operations.

## Statement of comprehensive income

	2015 £	2014 £
Loss for the financial year	(499,831)	(1,179,570)
<b>Total comprehensive loss</b>	(499,831)	(1,179,570)

# Sherwin-Williams UK Coatings Limited

## Balance sheet As at 31 December 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	9	724,419	982,019
Tangible assets	10	145,084	174,122
		<u>869,503</u>	<u>1,156,141</u>
<b>Current assets</b>			
Stocks	11	1,355,755	1,252,642
Debtors – debtors due within one year	12	3,898,437	4,007,889
Cash at bank and in hand		-	69,675
		<u>5,254,192</u>	<u>5,330,206</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,955,443)</u>	<u>(2,075,705)</u>
<b>Net current assets</b>		<u>3,298,749</u>	<u>3,254,501</u>
<b>Total assets less current liabilities</b>		<u>4,168,252</u>	<u>4,410,642</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(5,783,236)</u>	<u>(5,557,914)</u>
<b>Provisions for liabilities</b>	15	<u>(49,068)</u>	<u>(49,068)</u>
<b>Net liabilities</b>		<u>(1,664,052)</u>	<u>(1,196,340)</u>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Profit and loss account		<u>(1,664,053)</u>	<u>(1,196,341)</u>
<b>Total shareholders deficit</b>		<u>(1,664,052)</u>	<u>(1,196,340)</u>

The financial statements of Sherwin-Williams UK Coatings Limited, registered number 7148590, were approved by the Board of Directors on 1 March 2016

Signed on behalf of the Board of Directors

  
G. Buchan

The accompanying notes are an integral part of this balance sheet

# Sherwin-Williams UK Coatings Limited

## Statement of changes in equity As at 31 December 2015

	<b>Called up Share Capital £</b>	<b>Profit and Loss Account £</b>	<b>Total £</b>
At at 31 December 2013 (as previously stated)	1	(57,726)	(57,725)
Changes to reserves on transition to FRS 102 (note 22)	-	(164,037)	(164,037)
At 1 January 2014 (as restated)	1	(221,763)	(221,762)
Loss for the financial year	-	(1,179,570)	(1,179,570)
Capital contribution	-	204,992	204,992
At 1 January 2015 (as restated)	1	(1,196,341)	(1,196,340)
Loss for the financial year	-	(499,831)	(499,831)
Movements in equity associated with share based payments	-	39,170	39,170
Movement in equity associated with deferred tax	-	(7,051)	(7,051)
<b>At 31 December 2015</b>	<b>1</b>	<b>(1,664,053)</b>	<b>(1,664,052)</b>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 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 UK Coatings Limited 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 22.

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

Sherwin-Williams UK Coatings Limited 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 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. The company is dependent on financial support being made available by its immediate parent company, Sherwin Williams UK Holding Limited, to enable it to continue in operational existence and to meet its debts as they fall due. The directors confirm this support is in place and have assessed the ability of the parent company to provide this support and therefore believe that it is appropriate to prepare financial statements on a going concern basis.

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. Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

#### d. Research and development

Research and Development expenditure is charged to the profit and loss account as incurred.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 1. Accounting policies (continued)

#### e. Tangible fixed assets and assets under the course of construction

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on cost in equal annual 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:

Buildings	Term of lease
Plant and machinery	3 – 5 years straight line
Fixtures, fittings, tools and equipment	3 – 10 years straight line

#### f. 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.

#### g. 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.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 1. Accounting policies (continued)

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.

#### h. 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, rebates 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.

#### i. Employee benefits

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.

#### j. 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.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 1. Accounting policies (continued)

#### k. 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.

#### l. 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.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### 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.

#### Stock provisioning

The directors have applied a provisioning policy which they believe provides an accurate measurement of the stock which will not realise the full value of its original cost in the financial statements. The provision is held against stock which has exceeded expiration or damaged or where management believe that the future economic benefit does not exceed the cost due to the products marketability.

### 3. Turnover

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

		2015 £	2014 £
With third parties	- Great Britain	15,796,650	16,094,628
	- Other	476,060	281,907
		<u>16,272,710</u>	<u>16,376,535</u>

### 4. Finance costs

	2015 £	2014 £
Intercompany loan interest	<u>163,856</u>	<u>168,679</u>

### 5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2015 £	2014 £
<b>Operating loss is after charging:</b>		
Depreciation of tangible fixed assets	93,409	46,375
Amortisation of goodwill	257,600	257,600
Rentals under operating leases		
Hire of plant and machinery	140,167	170,004
Foreign exchange difference	<u>21,013</u>	<u>115,408</u>



# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 5. Loss on ordinary activities before taxation (continued)

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to company's auditor for the audit of the company's annual accounts	22,038	22,038
Fees payable to the company's auditor for other services to the company:		
Tax compliance services	4,100	4,100
	<u>26,138</u>	<u>26,138</u>

### 6. Staff costs

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

	2015 Number	2014 Number
Average number of persons employed		
Production	7	6
Sales and distribution	25	23
Administration	5	4
	<u>37</u>	<u>33</u>

Their aggregate remuneration comprised:

	£	£
Wages and salaries	2,013,529	2,285,416
Social security costs	227,071	213,068
Pension costs	155,103	143,889
	<u>2,395,703</u>	<u>2,642,373</u>

### 7. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	<u>219,843</u>	<u>584,989</u>

The number of directors who:

	Number	Number
Are members of the defined benefit pension scheme	<u>1</u>	<u>2</u>

Remuneration of the highest paid director:

Emoluments	219,843	423,465
Company contributions to money purchase schemes	<u>21,630</u>	<u>21,630</u>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 8. Tax on loss on ordinary activities

The tax charge comprises:

	2015 £	2014 £
<b>Current tax on loss on ordinary activities</b>		
UK corporation tax	-	(352,630)
Adjustments in respect of prior years	483	(16)
<b>Total current tax</b>	483	(352,646)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(107,967)	(6,701)
Adjustments in respect of prior years	1,524	15
<b>Total deferred tax (see note 16)</b>	(106,444)	(6,686)
<b>Total tax on profit on ordinary activities</b>	<u>(105,960)</u>	<u>(359,332)</u>

Finance Act No2 2015 was substantively enacted on 26 October 2015, 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 substantially 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.

### Tax on loss 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 £
<b>Loss on ordinary activities before tax</b>	<u>(605,791)</u>	<u>(1,538,902)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 20.25% (2014: 21.49%)	(122,652)	(366,085)
Effects of:		
- Expenses not deductible for tax purposes	14,685	6,754
- Adjustments to tax charge in respect of previous periods	2,007	(1)
<b>Total tax charge for period</b>	<u>(105,960)</u>	<u>(359,332)</u>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 9. Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	1,497,219
<b>Accumulated amortisation</b>	
At 1 January 2015	(515,200)
Charge for the year	(257,600)
At 31 December 2015	(772,800)
<b>Net book value</b>	
At 31 December 2015	724,419
At 31 December 2014	982,019

### 10. Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2015	71,511	153,424	181,896	10,100	416,931
Additions	2,464	12,938	48,969	-	64,371
At 31 December 2015	73,975	166,362	230,865	10,100	481,302
<b>Accumulated depreciation</b>					
At 1 January 2015	21,687	99,411	111,611	10,100	242,809
Charge for the year	6,939	27,355	59,115	-	93,409
At 31 December 2015	28,626	126,766	170,726	10,100	336,218
<b>Net book value</b>					
At 31 December 2015	45,349	39,596	60,139	-	145,084
At 31 December 2014	49,824	54,013	70,285	-	174,122

### 11. Stocks

	2015 £	2014 £
Raw materials and consumables	169,425	50,318
Work-in-progress	52,438	41,850
Finished goods and goods for resale	1,133,892	1,160,474
	1,355,755	1,252,642

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 2015

### 12. Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	3,746,396	3,989,441
Prepayments and accrued income	34,200	-
Deferred tax asset	117,841	18,448
	<u>3,898,437</u>	<u>4,007,889</u>

### 13. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	499,410	211,049
Amount owed to fellow subsidiaries	278,748	479,697
Other taxes and social security	497,726	631,124
Accruals and deferred income	679,559	753,835
	<u>1,955,443</u>	<u>2,075,705</u>

### 14. Creditors: amounts falling due after one year

	2015 £	2014 £
Amount owed to fellow subsidiaries	<u>5,783,236</u>	<u>5,557,914</u>

### 15. Provision for liabilities

	Dilapidations provision £
At 1 January 2015	49,068
Credited to profit and loss account	-
At 31 December 2015	<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.

### 16. Deferred taxation

	Recognised		Unrecognised	
	2015 £	2014 £	2015 £	2014 £
Deferred tax provided (2015: 18% 2014: 20%)				
Accelerated capital allowances	18,448	18,448	-	-
Other short term timing differences	-	-	-	-
Tax losses available	99,393	-	-	-
	<u>117,841</u>	<u>18,448</u>	<u>-</u>	<u>-</u>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2015

### 17. Called up share capital

	2015 £	2014 £
<b>Called-up, allotted, and fully paid</b>		
1 ordinary share of £1 each	1	1

### 18. Financial commitments

#### Operating lease commitments

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

	2015 £	2014 £
<b>Land and Buildings</b>		
- within one year	125,000	125,000
- between one and five years	312,500	437,500
- after five years	1,258,750	1,258,750
	<u>1,696,250</u>	<u>1,821,250</u>
<b>Other Machinery and Equipment</b>		
- within one year	130,317	99,025
- between one and five years	141,021	143,908
- after five years	-	-
	<u>271,338</u>	<u>242,933</u>
	<u><b>1,967,588</b></u>	<u><b>2,064,183</b></u>

### 19. Employee benefits

#### Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2015 was £155,103 (2014: £143,888).

### 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.

# **Sherwin-Williams UK Coatings Limited**

## **Notes to the Financial Statements Year ended 31 December 2015**

### **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.

### **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. One disclosure adjustment is noted below.

In line with section 26 Share-based Payments of FRS102, 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 increased loss and a charge to the profit and loss reserve of £164,037.