

Company Registration No. 7148590

Sherwin-Williams UK Coatings Limited

Annual report and Financial Statements

For the year ended 31 December 2016

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Sherwin-Williams UK Coatings Limited

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Sherwin-Williams UK Coatings Limited

Officers and Professional Advisers

Directors

Mr J G Morikis (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
Thornccliffe Park
Chapelton
Sheffield
S35 2YP

Bankers

J.P. Morgan
1st Floor Hampshire Building
1 Chaseside
Bournemouth
Dorset
BH7 7DA

Solicitors

Squire Patton Boggs (UK) LLP
Trinity Court
16 John Dalton Street
Manchester
M60 8HS

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Auditor

Deloitte LLP
Statutory Auditor
Leeds
United Kingdom

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 announcement of Brexit and its potential implications has impacted foreign exchange rates, which has in turn affected the financial statements of Sherwin-Williams UK Coatings due to the fact that raw materials are sourced from overseas.

The audited financial statements and related notes for the period ended 31 December 2016 are set out on pages 7 to 21. Revenue in the year increased from £16,272,710 to £18,692,259. The company's profit for the year after taxation was £90,331 (2015: loss of £499,831) and the company has net liabilities of £1,543,531 (2015: net liabilities: £1,664,052). These continue to be areas of focus for management as key performance indicators.

Key performance indicators

The group 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 pounds 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 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

23 June 2017

Sherwin-Williams UK Coatings Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

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 2017. 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 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 (2015: £nil) were paid in the year.

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. Sherwin-Williams 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.

Future developments

An indication of future developments is given in the strategic report on page 2 and forms part of this report by cross-reference.

Directors and their interests

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

Mr J G Morikis (Appointed 9 May 2016)

Mr C Connor (Resigned 9 May 2016)

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

Sherwin-Williams UK Coatings Limited

Directors' Report

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.

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.

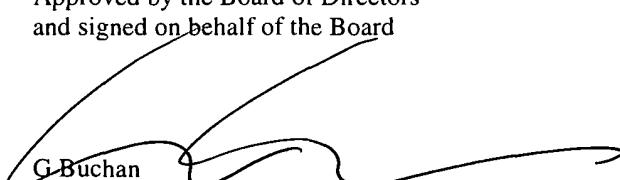
Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

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 auditor in the absence of an Annual General Meeting.

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



G. Buchan
Director

23 June 2017

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

Sherwin-Williams UK Coatings Limited

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 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements..

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report


Sherwin-Williams UK Coatings Limited

Independent Auditor's Report To The Members Of Sherwin-Williams UK Coatings Limited

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.



23 June 2017

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

Sherwin-Williams UK Coatings Limited

Profit and loss account Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	18,692,259	16,272,710
Cost of sales		(13,653,266)	(12,087,997)
Gross profit		5,038,993	4,184,713
Distribution costs		(1,905,091)	(1,936,539)
Administrative expenses		(2,824,687)	(2,690,109)
Operating profit/(loss)	5	309,215	(441,935)
Interest payable	4	(138,607)	(163,856)
Profit/(Loss) on ordinary activities before taxation		170,608	(605,791)
Tax on profit/(loss) on ordinary activities	8	(80,277)	105,960
Profit/(Loss) on ordinary activities after taxation for the financial year		90,331	(499,831)

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

	2016 £	2015 £
Profit/(Loss) for the financial year	90,331	(499,831)
Total comprehensive income/(expense)	90,331	(499,831)

Sherwin-Williams UK Coatings Limited

Balance sheet As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	9	466,819	724,419
Tangible assets	10	156,925	145,084
		<u>623,744</u>	<u>869,503</u>
Current assets			
Stocks	11	1,922,310	1,355,755
Debtors	12	3,596,292	3,898,437
Cash at bank and in hand		-	-
		<u>5,518,602</u>	<u>5,254,192</u>
Creditors: amounts falling due within one year	13	<u>(4,645,223)</u>	<u>(1,955,443)</u>
Net current assets		<u>873,379</u>	<u>3,298,749</u>
Total assets less current liabilities		<u>1,497,123</u>	<u>4,168,252</u>
Creditors: Amounts falling due after more than one year	14	<u>(2,991,586)</u>	<u>(5,783,236)</u>
Provisions for liabilities	15	<u>(49,068)</u>	<u>(49,068)</u>
Net liabilities		<u>(1,543,531)</u>	<u>(1,664,052)</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account		<u>(1,543,532)</u>	<u>(1,664,053)</u>
Total shareholders deficit		<u>(1,543,531)</u>	<u>(1,664,052)</u>

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

Signed on behalf of the Board of Directors

G Buchan

23 June 2017

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 2016

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2015	1	(1,196,341)	(1,196,340)
Loss for the financial year	-	(499,831)	(499,831)
Movement in equity associated with share-based payments		39,170	39,170
Movement in equity associated with deferred tax		(7,051)	(7,051)
	<hr/>	<hr/>	<hr/>
At 1 January 2016	1	(1,664,053)	(1,664,052)
Profit for the financial year		90,331	90,331
Movements in equity associated with share based payments	-	36,373	36,373
Movement in equity associated with deferred tax	-	(6,183)	(6,183)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1	(1,543,532)	(1,543,531)

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2016

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 limited by shares, incorporated in the United Kingdom (England and Wales) 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 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, financial instruments, presentation of a cash flow statement, related party 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.

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 2016

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
Motor vehicles	3 – 5 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 2016

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 2016

1. Accounting policies (continued)

k. Leases

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 2016

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, which derives wholly from the entities primary activity of sale of goods, by geographical market it set out below:

		2016 £	2015 £
With third parties	- Great Britain	18,358,949	15,796,650
	- Other	333,310	476,060
		<u>18,692,259</u>	<u>16,272,710</u>

4. Finance costs (interest payable)

	2016 £	2015 £
Intercompany loan interest	<u>138,607</u>	<u>163,856</u>

5. Operating profit/loss

Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):

	2016 £	2015 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets	60,372	93,409
Cost of stock recognised as an expense	12,540	10,924
Amortisation of goodwill	257,600	257,600
Rentals under operating leases		
Hire of plant and machinery	150,585	140,167
Foreign exchange difference	(213,018)	21,013
	<u></u>	<u></u>

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2016

5. Loss on ordinary activities before taxation (continued)

The analysis of auditor's remuneration is as follows:

	2016 £	2015 £
Fees payable to company's auditor for the audit of the company's annual accounts	19,984	22,038
Fees payable to the company's auditor for other services to the company: Tax compliance services	3,400	4,100
	<u>23,384</u>	<u>26,138</u>

6. Staff costs

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

	2016 Number	2015 Number
Average number of persons employed		
Production	8	7
Sales and distribution	17	25
Administration	15	5
	<u>40</u>	<u>37</u>

Their aggregate remuneration comprised:

	£	£
Wages and salaries	2,204,171	2,013,529
Social security costs	218,880	227,071
Pension costs	146,649	155,103
	<u>2,569,700</u>	<u>2,395,703</u>

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	<u>264,787</u>	<u>219,843</u>

The number of directors who:

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

Remuneration of the highest paid director:

Emoluments	227,631	219,843
Company contributions to money purchase schemes	<u>37,156</u>	<u>21,630</u>

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2016

8. Tax on profit/(loss) on ordinary activities

The tax charge comprises:

	2016 £	2015 £
Current tax on profit/(loss) on ordinary activities		
UK corporation tax	-	-
Adjustments in respect of prior years	-	483
Total current tax	-	483
Deferred tax		
Origination and reversal of timing differences	73,730	(107,967)
Adjustments in respect of prior years	6,547	1,524
Total deferred tax (see note 16)	80,277	(106,443)
Total tax on profit/(loss) on ordinary activities	80,277	(105,960)

The Finance Act 2015 included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 included provisions to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly 17% has been applied when calculating deferred tax assets and liabilities as at 31 December 2016.

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:

	2016 £	2015 £
Profit/(Loss) on ordinary activities before tax	170,608	(605,791)
Tax on profit/loss on ordinary activities at standard UK corporation tax rate of 20.00% (2015: 20.25%)	34,122	(122,652)
Effects of:		
- Expenses not deductible for tax purposes	52,619	14,685
- Adjustments to tax charge in respect of previous periods	6,547	2,007
		14,685
-Adjustment in respect of rate differences	(13,011)	-
Total tax charge for period	80,277	(105,960)

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2016

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2016 and 31 December 2016	1,497,219
Accumulated amortisation	
At 1 January 2016	(772,800)
Charge for the year	(257,600)
At 31 December 2016	(1,030,400)
Net book value	
At 31 December 2016	466,819
At 31 December 2015	724,419

10. Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2016	73,975	166,362	230,865	10,100	481,302
Additions	-	56,306	15,907	-	72,213
At 31 December 2016	73,975	222,668	246,772	10,100	553,515
Accumulated depreciation					
At 1 January 2016	28,626	126,766	170,726	10,100	336,218
Charge for the year	5,769	20,026	34,577	-	60,372
At 31 December 2016	34,395	146,792	205,303	10,100	396,590
Net book value					
At 31 December 2016	39,580	75,876	41,469	-	156,925
At 31 December 2015	45,349	39,596	60,139	-	145,084

11. Stocks

	2016 £	2015 £
Raw materials and consumables	163,046	169,425
Work-in-progress	41,297	52,438
Finished goods and goods for resale	1,717,967	1,133,892
	<u>1,922,310</u>	<u>1,355,755</u>

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 2016

12. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	3,543,431	3,746,396
Prepayments and accrued income	21,480	34,200
Deferred tax asset	31,381	117,841
	<u>3,596,292</u>	<u>3,898,437</u>

13. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	549,028	499,410
Amount owed to fellow subsidiaries	2,740,985	278,748
Other taxes and social security	669,143	497,726
Accruals and deferred income	686,068	679,559
	<u>4,645,224</u>	<u>1,955,443</u>

Group creditors are held at amortised cost and are repayable by the end of the month following invoice, with the exception of the cash sweep facility, due after one year.

14. Creditors: amounts falling due after one year

	2016 £	2015 £
Amount owed to fellow subsidiaries	<u>2,991,586</u>	<u>5,783,236</u>

15. Provision for liabilities

	Dilapidations provision £
At 1 January 2016	49,068
Credited to profit and loss account	-
At 31 December 2016	<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	
	2016 £	2015 £	2016 £	2015 £
Deferred tax provided (2016: 18% 2015: 20%)				
Accelerated capital allowances	29,700	18,448	-	-
Other short term timing differences		-		-
Tax losses available	1,681	99,393		
	<u>31,381</u>	<u>117,841</u>		-

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2016

17. Called up share capital

	2016 £	2015 £
Called-up, allotted, and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

18. Financial commitments

Operating lease commitments

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

	2016 £	2015 £
Land and Buildings		
- within one year	125,000	125,000
- between one and five years	187,500	312,500
- after five years	-	-
	<u>312,500</u>	<u>437,500</u>
Other Machinery and Equipment		
- within one year	148,710	130,317
- between one and five years	205,630	141,021
- after five years	-	-
	<u>353,340</u>	<u>271,338</u>
	<u>665,840</u>	<u>708,838</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 2016 was £166,053 (2015: £155,103).

20. Related party transactions

The company is a wholly owned subsidiary within the group, and utilises the exemption contained in FRS 102 section 33, "Related Party Disclosures", not to disclose any transactions entered into between two or more wholly-owned subsidiaries of the group.

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2016

21. Ultimate parent company and controlling party

The immediate parent company is Sherwin Williams UK Holding Limited. The ultimate parent company and ultimate controlling party 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.