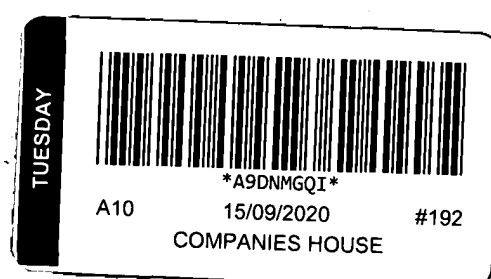


Company Registration No. 7148590

Sherwin-Williams UK Coatings Limited

Annual report and Financial Statements

For the year ended 31 December 2019



Sherwin-Williams UK Coatings Limited

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Sherwin-Williams UK Coatings Limited

Directors and other information

Directors

Mr G Buchan
Mr JJ Miklich
Mr JM Donchess
Mr DH Karnstein

Registered office

Avenue One
Station Lane
Witney
Oxfordshire
OX28 4XR

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
1 City Square
Leeds
LS1 2AL
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 ("Do It Yourself") markets. There have not been any significant changes in the Company's principal activities in the year under review. The Directors have been informed that, as part of a wider programme to simplify the Sherwin-Williams Group's (The group of companies that make up the Sherwin Williams Company) UK legal structure, it is likely that, within the 12 months following the signing of these financial statements, the business including the assets and liabilities of Sherwin-Williams UK Coatings Limited (SWUK) will be transferred to another Sherwin-Williams Group Company and the SWUK legal entity will be wound up. This change is being done purely to reduce administrative costs and to improve efficiency, and the Directors are confident that it will have no impact on the existing business's commitment to providing a highly innovative and competitive service to its core industrial wood coatings sector from its headquarters at Knottingley in West Yorkshire.

Business review

The Company continues to invest in business systems and its employees (through training/development programmes) by which Sherwin-Williams UK Coatings will continue to improve customer service levels, supply chain levels and overall business efficiency.

The continuing uncertainty over Brexit and its potential implications has impacted foreign exchange rates, which has continued to adversely affect 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 2019 are set out on pages 10 to 23. Revenue in the year decreased from £21,375,881 to £21,054,767. The Company's loss for the year after taxation was £1,439,324 (2018: loss of £2,301,028) and the Company has net liabilities of £7,503,664 (2018: net liabilities: £5,288,410). These continue to be areas of focus for management as key performance indicators. The loss is partly due to the group recharge of management costs.

Key performance indicators

The Company measures its performance on a number of key performance indicators, including;

- decreasing revenue (FY19: £21,054,767, FY18: £21,375,881);
- controlling costs;
- accurate monthly accounts closed by day 2 of month end;
- balance sheet accounts reconciled by end of the following month;
- statutory accounts filed on time and no penalties incurred;
- tax returns filed on time and no penalties incurred and;
- clean audit reports, both internal and external as evidenced by no material misstatements or audit qualifications.

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 its intercompany partner in Ireland (which is exclusively Euro denominated) and a relatively small percentage of its domestic business.

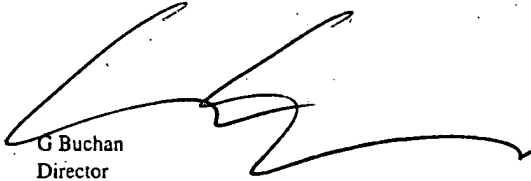
Sherwin-Williams UK Coatings Limited

Strategic Report

Future developments and subsequent events

The Company is exposed to the effects of the COVID-19 pandemic which has had a negative effect on its trading activities since the year-end. Based on the current forecast, the directors are expecting a decrease in revenue and gross margin. However, the directors are expecting cost savings. Although, as mentioned above in the principal activity section, it is the director's intention to transfer the trade and assets of the Company to another Sherwin-Williams UK entity in order to liquidate the Company as part of a corporate simplification process.

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



G Buchan
Director

11 September 2020

Sherwin-Williams UK Coatings Limited

Director's report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019. 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 market environment with no growth which is set to continue in 2020. The Company continues to manage this risk by developing innovation in its product range and 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.

The Company's loss for the year after taxation was £1,439,324 (2018: loss of £2,301,028) and the Company has net liabilities of £7,503,664 (2018: net liabilities: £5,288,410).

In assessing the appropriateness of the application of the going concern basis, the directors considered their intentions to transfer the trade and assets of the Company to another Sherwin-Williams UK entity in order to liquidate the Company and therefore, these financial statements have been prepared on a basis other than going concern.

Results and dividends

For discussion on the Company results for the year please refer to the Business Review in the Strategic Report (page 2).

Dividends of £nil (2018: £nil) were paid or proposed 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 3 and forms part of this report by cross-reference.

Directors and their interests

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

Mr E Braggio (Resigned 29 March 2019)
Mr G Buchan
Mr JJ Miklich
Mr A Mistysyn (Resigned 29 March 2019)
Mr D H Karnstein (Appointed 29 March 2019)
Mr J M Donchess (Appointed 29 March 2019)

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

Director's 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:

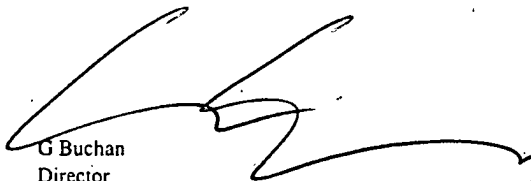
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor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

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

11 September 2020

Sherwin-Williams UK Coatings Limited

Director's 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.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sherwin-Williams UK Coatings Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial statements prepared on a basis other than a going concern

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

Report on the audit of the financial statements

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters 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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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

Report on the audit of the financial statements

Use of our report

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.



Matthew Hughes BSc (Hons), ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
Date: 11 September 2020

Sherwin-Williams UK Coatings Limited

Statement of Profit and Loss Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	21,054,767	21,375,881
Cost of sales		(17,723,381)	(17,368,512)
Gross profit		3,331,386	4,007,369
Distribution costs		(2,390,419)	(2,284,050)
Administrative expenses		(2,145,240)	(3,776,711)
Operating loss	5	(1,204,273)	(2,053,392)
Interest payable and similar expenses	4	(235,051)	(247,636)
Loss before taxation		(1,439,324)	(2,301,028)
Tax on loss	8	-	-
Loss after taxation for the financial year		(1,439,324)	(2,301,028)

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

The above results all arise from continuing operations.

Sherwin-Williams UK Coatings Limited

Statement of comprehensive income Year ended 31 December 2019

	2019 £	2018 £
Loss for the financial year	(1,439,324)	(2,301,028)
Share based payment	40,335	54,446
Share options exercised in year	(816,265)	-
Total comprehensive expense	(2,215,254)	(2,246,582)

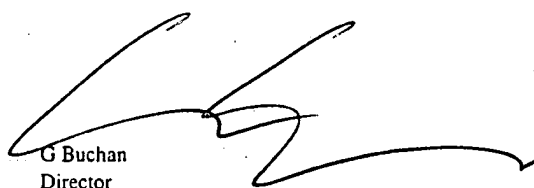
Sherwin-Williams UK Coatings Limited

Balance sheet As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	277,296	270,708
		<u>277,296</u>	<u>270,708</u>
Current assets			
Stocks	11	2,287,363	1,825,660
Debtors	12	5,511,958	5,082,697
		<u>7,799,321</u>	<u>6,908,357</u>
Creditors: amounts falling due within one year	13	<u>(13,568,961)</u>	<u>(10,539,631)</u>
Net current liabilities		<u>(5,769,640)</u>	<u>(3,631,274)</u>
Total assets less current liabilities		<u>(5,492,344)</u>	<u>(3,360,566)</u>
Creditors: Amounts falling due after more than one year	14	<u>(2,011,320)</u>	<u>(1,927,844)</u>
Net liabilities		<u>(7,503,664)</u>	<u>(5,288,410)</u>
Capital and reserves			
Called up share capital	16	1	1
Profit and loss account		<u>(7,503,665)</u>	<u>(5,288,411)</u>
Total shareholders deficit		<u>(7,503,664)</u>	<u>(5,288,410)</u>

The financial statements of Sherwin-Williams UK Coatings Limited, registered number 7148590, were approved by the Board of Directors and authorised for issue on 11 September 2020.

Signed on behalf of the Board of Directors


G Buchan
Director

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 2019

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2018	1	(3,041,829)	(3,041,828)
Loss for the financial year	-	(2,301,028)	(2,301,028)
Movement in equity associated with share-based payments	-	54,446	54,446
At 1 January 2019	1	(5,288,411)	(5,288,410)
Loss for the financial year	-	(1,439,324)	(1,439,324)
Movements in equity associated with share based payments	-	40,335	40,335
Share options exercised in year	-	(816,265)	(816,265)
At 31 December 2019	1	(7,503,665)	(7,503,664)

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

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 private Company limited by shares, incorporated in the United Kingdom (England and Wales) under the Companies Act 2006. 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 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. 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. Sherwin-Williams UK Coatings Limited is consolidated in the financial statements of its ultimate parent, The Sherwin-Williams Company, which may be obtained from the address in note 20.

b. Going concern

In assessing the appropriateness of the application of the going concern basis, the directors considered their intentions as part of a wider programme to simplify the Sherwin-Williams Group's UK legal structure, it is likely that, within the 12 months following the signing of these accounts, the business and assets/liabilities of Sherwin-Williams UK Coatings Limited (SWUK) will be transferred to another Sherwin-Williams Group Company and the SWUK legal entity will be wound up. This change is being done purely to reduce administrative costs and to improve efficiency, and the Directors are confident that it will have no impact on the existing business' commitment to providing a highly innovative and competitive service to its core industrial wood coatings sector from its headquarters at Knottingley in West Yorkshire.

The Company's loss for the year after taxation was £1,439,324 (2018: loss of £2,301,028) and the Company has net liabilities of £7,503,664 (2018: net liabilities: £5,288,410).

In assessing the appropriateness of the application of the going concern basis, the directors considered their intentions to transfer the trade and assets of the Company to another Sherwin-Williams UK entity in order to liquidate the Company and therefore, these financial statements have been prepared on a basis other than going concern. There have been no material adjustments arising from the use of a basis other than going concern.

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 2019

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

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.

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.

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

1. Accounting policies (continued)

g. Taxation (continued)

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.

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.

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

1. Accounting policies (continued)

1. 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 directors consider there to be no critical judgements or key sources of estimation uncertainty.

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:

		2019 £	2018 £
With third parties	- Great Britain	20,614,312	20,980,732
	- Other	440,455	395,149
		<u>21,054,767</u>	<u>21,375,881</u>

4. Interest payable and similar expenses

	2019 £	2018 £
Intercompany loan interest	<u>235,051</u>	<u>247,636</u>

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

5. Loss before taxation

	2019 £	2018 £
Loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets	67,641	79,822
Amortisation of goodwill	-	209,219
Rentals under operating leases		
Hire of plant and machinery	127,734	139,961
Land and buildings	125,853	125,583
Foreign exchange difference	(36,377)	23,033
	<u> </u>	<u> </u>

The analysis of auditor's remuneration is as follows:

	2019 £	2018 £
Fees payable to Company's auditor for the audit of the Company's annual accounts	27,259	26,199
Fees payable to the Company's auditor for other services to the Company:		
Tax compliance services	6,735	4,600
	<u> </u>	<u> </u>
	<u>33,994</u>	<u>30,799</u>

6. Staff costs

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

	2019 Number	2018 Number
Average number of persons employed		
Production	5	8
Sales and distribution	13	14
Administration	26	15
	<u> </u>	<u> </u>
	<u>44</u>	<u>37</u>

6. Staff costs (continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,270,691	1,710,370
Social security costs	238,447	172,546
Pension costs	164,506	123,201
	<u> </u>	<u> </u>
	<u>2,673,644</u>	<u>2,006,117</u>

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

The large increase from 2018 to 2019 to is due to the share options exercise.

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>1,012,249</u>	<u>219,217</u>
The number of directors who:	Number	Number
Are deferred members of the defined contribution pension scheme	<u>1</u>	<u>1</u>
Remuneration of the highest paid director:		
Emoluments	<u>1,012,249</u>	<u>219,217</u>

Only one director is remunerated through this Company, all other directors are remunerated through other group companies as their costs are incidental and so it is not practical to recharge their costs to the Company

8. Tax on loss on ordinary activities

The tax charge comprises:

	2019 £	2018 £
Current tax on loss on ordinary activities		
UK corporation tax	-	-
Adjustments in respect of prior years	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior years	-	-
Total deferred tax (see note 16)	<u>-</u>	<u>-</u>
Total tax on loss on ordinary activities	<u>-</u>	<u>-</u>

Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at (31 December 2019) continue to be measured at 17%, the amended tax rate would cause an immaterial difference in the deferred tax asset/liability.

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:

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(1,439,324)</u>	<u>(2,301,028)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%)	(273,471)	(427,195)
Effects of:		
- Expenses not deductible for tax purposes	8,613	1,140
- Adjustments to tax charge in respect of previous periods	-	-
- Movements in unrecognised deferred tax	12,852	220,729
- Group relief	348,703	215,327
- Amounts recognised in equity	(96,697)	-
Total tax credit for period	<u>-</u>	<u>-</u>

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2019 and 31 December 2019	<u>1,497,219</u>
Accumulated amortisation	
At 1 January 2019	1,497,219
Charge for the year	-
At 31 December 2019	<u>1,497,219</u>
Net book value	
At 31 December 2019	-
At 31 December 2018	-

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

10. Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Assets in course of construction £	Total £
Cost				
At 1 January 2019	73,975	681,500	63,293	818,768
Additions	-	-	74,230	74,230
Transfers	10,589	65,584	(76,173)	-
At 31 December 2019	84,564	747,084	61,350	892,998
Accumulated depreciation				
At 1 January 2019	47,108	500,952	-	548,060
Charge for the year	7,004	60,638	-	67,642
At 31 December 2019	54,112	561,590	-	615,702
Net book value				
At 31 December 2019	30,452	185,494	61,350	277,296
At 31 December 2018	26,867	180,548	63,293	270,708

11. Stocks

	2019 £	2018 £
Raw materials and consumables	110,061	147,507
Finished goods and goods for resale	2,177,302	1,678,153
	<u>2,287,363</u>	<u>1,825,660</u>

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

12. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	3,883,246	4,800,968
Prepayments and accrued income	16,397	232,642
Amounts owed by fellow group undertakings	1,612,315	49,087
	<u>5,511,958</u>	<u>5,082,697</u>

Sherwin-Williams UK Coatings Limited

Notes to the Financial Statements Year ended 31 December 2019

Amounts owed by fellow group undertakings are unsecured, interest-free and repayable on demand.

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,451,421	361,666
Amount owed to fellow subsidiaries	10,454,843	8,949,346
Other taxes and social security	612,374	472,562
Accruals and deferred income	1,050,323	756,057
	<u>13,568,961</u>	<u>10,539,631</u>

Group creditors are held at amortised cost and are repayable by the end of the month following invoice.

14. Creditors: amounts falling due after one year

	2019 £	2018 £
Amount owed to fellow subsidiaries	<u>2,011,320</u>	<u>1,927,844</u>

Amounts owed to fellow subsidiaries are secured by first ranking right of pledge, interest is charged at libor rates +/- basis points.

15. Deferred taxation

	Recognised		Unrecognised	
	2019 £	2018 £	2019 £	2018 £
Deferred tax provided (2019: 17% 2018: 17%)				
Accelerated capital allowances	-	-	62,822	54,684
Pension	-	-	-	-
Losses	-	-	279,023	462,948
Other short-term timing differences	-	-	1,849	13,151
	<u>-</u>	<u>-</u>	<u>343,694</u>	<u>530,783</u>

16. Called up share capital

	2019 £	2018 £
Called-up, allotted, and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

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Notes to the Financial Statements Year ended 31 December 2019

17. Financial commitments

Operating lease commitments

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

	2019 £	2018 £
Land and Buildings		
- within one year	125,583	125,583
- between one and five years	502,333	502,333
- after five years	565,125	690,708
	<u>1,193,041</u>	<u>1,318,624</u>
Other Machinery and Equipment		
- within one year	111,828	110,916
- between one and five years	247,829	101,178
	<u>359,657</u>	<u>212,094</u>

18. 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 2019 was £164,506 (2018: £123,201).

19. 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.

20. Ultimate parent company and controlling party

The immediate parent company is Sherwin-Williams UK Holding Limited, Thornccliffe Park, Chapeltown, Sheffield, S35 2YP. 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, 44115-1075. 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.

21. Subsequent events

The 2020 Covid-19 pandemic is an event that arose after the balance sheet date which does not affect the amounts recognised in these financial statements. Disclosures in respect of its impact on the Company's post year-end activities are given in the Strategic Report on page 3.