

**Company Registration No. 7148590**

**Sherwin-Williams UK Coatings Limited**

**Annual report and Financial Statements**

**For the year ended 31 December 2020**

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# **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  
1<sup>st</sup> 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**

Sherwin-Williams UK Coatings Limited ("the Company") 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.

### **Business review**

The Company continues to invest in business systems and its employees (through training/development programmes) by which Sherwin-Williams UK Coatings Limited 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 Limited due to the fact that raw materials are sourced from overseas.

The audited financial statements and related notes for the period ended 31 December 2020 are set out on pages 10 to 23. Revenue in the year decreased from £21,054,767 to £17,738,704 mainly due to the impact of COVID-19. The Company's loss for the year after taxation was £1,113,351 (2019: loss of £1,439,324) and the Company has net liabilities of £8,584,168 (2019: net liabilities: £7,503,664). These continue to be areas of focus for management as key performance indicators.

### **Key performance indicators**

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

- revenue (FY20: £17,738,704, FY19: £21,054,767);
- 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.

As part of a corporate simplification process, it is the intention of the directors that, within the 12 months following the signing of these accounts, to transfer the trade and assets of the Company to Sherwin-Williams UK Limited and the Company will be liquidated.

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

A handwritten signature in black ink, appearing to read 'G Buchan', with a long horizontal stroke extending to the right.

G Buchan  
Director

12 July 2021

# **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 2020. 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 2021. The Company continues to manage its risk by developing innovation in its product range, and 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.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on pages 2 to 3.

The Company participates in the group's centralised treasury arrangements and shares banking arrangements with its parent and fellow subsidiaries.

The Company has a reported net loss of £1.1m in 2020. The Company's net liability position at 31 December 2020 is £(8.6)m.

Annual and rolling Company profit forecasts are collated on a business unit level as opposed to each individual statutory entity level.

The directors of the Company have taken measures to mitigate the financial risks associated with the impacts of the COVID-19. Some of the actions which the business undertook during the year have included, a reduction in capital spending, programmes to reduce the inventory levels (which had previously increased in preparation for Brexit), taking advantage of government programmes such as the Furlough scheme and deferred VAT payments.

The Company is part of The Sherwin-Williams Company, a Company incorporated in the United States of America. The ultimate parent Company is a listed fortune 500 Company and provides comfort in respect of the provision of financial support to this Company to assist in meeting liabilities as and when they fall due to the extent that money is not otherwise available to meet such liabilities.

The directors have been informed that, as part of a wider programme to simplify the Sherwin-William Group's UK legal structure, it is the intention of the directors 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 Sherwin-Williams UK Limited and the SWUK legal entity will be liquidated. 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. 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 Sherwin-Williams UK Limited 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.

### **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 (2019: £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

# **Sherwin-Williams UK Coatings Limited**

## **Director's report**

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 G Buchan  
Mr JJ Miklich  
Mr D H Karnstein  
Mr J M Donchess

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.

### **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.

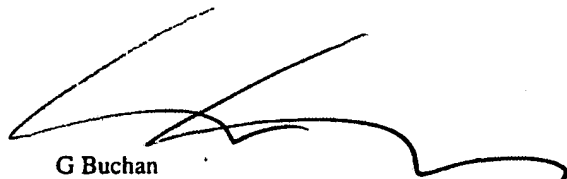
### **Auditors**

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.

# **Sherwin-Williams UK Coatings Limited**

## **Director's report**

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

A handwritten signature in black ink, appearing to be 'G Buchan', written over a horizontal line.

G Buchan  
Director  
12 July 2021



# **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 2020 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 going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The other information comprises the information included in the strategic report and director's report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the strategic report and director's report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

## **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety and data protection laws.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Completeness and accuracy of stock provisioning: a sample of stock items were agreed to last sale date and expiry date to ensure appropriately provided for where required.

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

### **Report on the audit of the financial statements**

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

### **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**

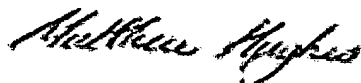
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

#### **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  
1 City Square  
Leeds, United Kingdom  
LS1 2AL  
Date: 12 July 2021

# Sherwin-Williams UK Coatings Limited

## Statement of Profit and Loss Year ended 31 December 2020

	Note	2020 £	2019 £
<b>Turnover</b>	3	17,738,704	21,054,767
Cost of sales		(13,980,365)	(17,723,381)
<b>Gross profit</b>		3,758,339	3,331,386
Distribution costs		(2,706,725)	(2,390,419)
Administrative expenses		(2,143,616)	(2,145,240)
Other income	5	163,997	-
<b>Operating loss</b>	6	(928,004)	(1,204,273)
Interest payable and similar expenses	4	(229,259)	(235,051)
<b>Loss before taxation</b>		(1,157,263)	(1,439,324)
Tax on loss	9	(43,912)	-
<b>Loss after taxation for the financial year</b>		(1,113,351)	(1,439,324)

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 2020**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Loss for the financial year</b>	(1,113,351)	(1,439,324)
Share based payment	40,552	40,335
Share options exercised in year	-	(816,265)
<b>Total comprehensive expense</b>	<b><u>(1,072,799)</u></b>	<b><u>(2,215,254)</u></b>

# Sherwin-Williams UK Coatings Limited

## Balance sheet As at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	226,953	277,296
		<u>226,953</u>	<u>277,296</u>
<b>Current assets</b>			
Stocks	12	2,082,015	2,287,363
Debtors	13	4,263,909	5,511,958
Cash at bank and in hand		-	-
		<u>6,345,924</u>	<u>7,799,321</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(13,397,424)</u>	<u>(13,568,961)</u>
<b>Net current liabilities</b>		<u>(7,051,500)</u>	<u>(5,769,640)</u>
<b>Total assets less current liabilities</b>		<u>(6,824,547)</u>	<u>(5,492,344)</u>
<b>Creditors: Amounts falling due after more than one year</b>	15	<u>(1,759,621)</u>	<u>(2,011,320)</u>
<b>Net liabilities</b>		<u>(8,584,168)</u>	<u>(7,503,664)</u>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Profit and loss account		<u>(8,584,169)</u>	<u>(7,503,665)</u>
<b>Total shareholders deficit</b>		<u>(8,584,168)</u>	<u>(7,503,664)</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 2 July 2021.

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 2020

	Note	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2019	17	1	(5,288,411)	(5,288,410)
Loss for the financial year		-	(1,439,324)	(1,439,324)
Movement in equity associated with share-based payments		-	40,335	40,335
Share options exercised in year		-	(816,265)	(816,265)
At 1 January 2020	17	1	(7,503,665)	(7,503,664)
Loss for the financial year		-	(1,113,351)	(1,081,086)
Movements in equity associated with share-based payments		-	40,552	40,552
Associated deferred tax		-	(7,705)	(7,705)
At 31 December 2020		1	(8,584,169)	(8,584,168)



# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 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

The directors have been informed as part of a wider programme to simplify the Sherwin-Williams Group's UK legal structure, it is intention of the directors 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 Sherwin-Williams UK Limited and the SWUK legal entity will be liquidated. 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 £1,113,351 (2019: loss of £1,439,324) and the Company has net liabilities of £8,584,168 (2019: net liabilities: £7,503,664).

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 Sherwin-Williams UK Limited 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.

#### 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

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 1. Accounting policies (continued)

#### 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.

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.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 1. Accounting policies (continued)

#### 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.

#### l. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### *(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 1. Accounting policies (continued)

#### l. Financial instruments (continued)

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### (ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment.

#### m. 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

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 1. Accounting policies (continued)

#### m. Share-based payment (continued)

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.

#### n. Government grants

Government grants are recognised once the conditions of the grant are met. Government grants are measured at fair value.

### 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 entity's primary activity of sale of goods, by geographical market is set out below:

		2020 £	2019 £
With third parties	- Great Britain	17,475,875	20,614,312
	- Other	262,829	440,455
		<u>17,738,704</u>	<u>21,054,767</u>

### 4. Interest payable and similar expenses

	2020 £	2019 £
Intercompany loan interest	<u>229,259</u>	<u>235,051</u>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 5. Other income

	2020 £	2019 £
Coronavirus job retention scheme	163,997	-

### 6. Loss before taxation

	2020 £	2019 £
<b>Loss is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets	58,853	67,641
Rentals under operating leases		
Hire of plant and machinery	127,110	127,734
Land and buildings	126,250	125,853
Foreign exchange difference	64,124	(36,377)
	<u>64,124</u>	<u>(36,377)</u>

The analysis of auditor's remuneration is as follows:

	2020 £	2019 £
Fees payable to Company's auditor for the audit of the Company's annual accounts	25,372	27,259
Fees payable to the Company's auditor for other services to the Company:		
Tax compliance services	3,550	6,735
	<u>28,922</u>	<u>33,994</u>

### 7. Staff costs

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

	2020 Number	2019 Number
<b>Average number of persons employed</b>		
Production	5	5
Sales and distribution	16	13
Administration	21	26
	<u>42</u>	<u>44</u>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 7. Staff costs (continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,061,506	2,270,691
Social security costs	258,872	238,447
Pension costs	174,765	164,506
	<u>2,495,143</u>	<u>2,673,644</u>

### 8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	<u>224,419</u>	<u>1,012,249</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>224,419</u>	<u>1,012,249</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.

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 9. Tax on loss on ordinary activities

The tax charge comprises:

	2020 £	2019 £
<b>Current tax on loss on ordinary activities</b>		
UK corporation tax	(7,705)	-
Adjustments in respect of prior years	-	-
<b>Total current tax</b>	<u>(7,705)</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(19,437)	-
Adjustments in respect of prior years	(16,771)	-
<b>Total deferred tax (see note 16)</b>	<u>(36,207)</u>	<u>-</u>
<b>Total tax on loss on ordinary activities</b>	<u>(43,912)</u>	<u>-</u>

In the 2021 UK Budget on 3 March 2021, the UK Government announced that the headline rate of UK corporation will increase to 25% from 1 April 2023. This change is expected to form part of the Finance Bill 2021. For FRS 102 purposes, following the substantive enactment of the Finance Bill, the new rate should be used to measure deferred taxes to the extent that temporary differences will reverse after 1 April 2023. A UK corporation tax rate of 19% has been used to calculate deferred tax balances for the year ended 31 December 2020 as this is the rate enacted at the balance sheet date.

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:

	2020 £	2019 £
<b>Loss on ordinary activities before tax</b>	<u>(1,157,263)</u>	<u>(1,439,324)</u>
<b>Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)</b>	(219,880)	(273,471)
<b>Effects of:</b>		
- Expenses not deductible for tax purposes	950	8,613
- Adjustments to tax charge in respect of previous periods	(16,771)	-
- Movements in unrecognised deferred tax	(228,644)	12,852
- Group relief	420,433	348,703
- Amounts recognised in equity	-	(96,697)
<b>Total tax credit for period</b>	<u>(43,912)</u>	<u>-</u>



# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 10. Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	1,497,219
<b>Accumulated amortisation</b>	
At 1 January 2020	1,497,219
Charge for the year	-
At 1 January 2020 and 31 December 2020	1,497,219
<b>Net book value</b>	
At 31 December 2020	-
At 31 December 2019	-

### 11. Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Assets in course of construction £	Total £
<b>Cost</b>				
At 1 January 2020	84,564	747,084	61,349	892,997
Additions	-	-	8,510	8,510
Transfers	-	50,879	(50,879)	-
At 31 December 2020	84,564	797,963	18,980	901,507
<b>Accumulated depreciation</b>				
At 1 January 2020	54,112	561,589	-	615,701
Charge for the year	7,650	51,203	-	58,853
At 31 December 2020	61,762	612,792	-	674,554
<b>Net book value</b>				
At 31 December 2020	22,802	185,171	18,980	226,953
At 31 December 2019	30,452	185,494	61,350	277,296

### 12. Stocks

	2020 £	2019 £
Raw materials and consumables	244,801	110,061
Finished goods and goods for resale	1,837,214	2,177,302
	2,082,015	2,287,363

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 2020

### 13. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	4,002,868	3,883,246
Prepayments and accrued income	8,077	16,397
Amounts owed by fellow group undertakings	216,756	1,612,315
Deferred tax (see note 16)	36,207	-
	<u>4,263,908</u>	<u>5,511,958</u>

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

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

	2020 £	2019 £
Trade creditors	508,480	1,451,421
Amount owed to fellow subsidiaries	10,584,216	10,454,843
Other taxes and social security	1,376,434	612,374
Accruals and deferred income	928,294	1,050,323
	<u>13,397,424</u>	<u>13,568,961</u>

Amount owed to fellow subsidiaries are held at amortised cost and are repayable by the end of the month following invoice.

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

	2020 £	2019 £
Amount owed to fellow subsidiaries	<u>1,759,621</u>	<u>2,011,320</u>

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

### 16. Deferred taxation

	Recognised		Unrecognised	
	2020 £	2019 £	2020 £	2019 £
<b>Deferred tax provided (2020: 17% 2019: 17%)</b>				
Accelerated capital allowances	34,215	-	-	62,822
Pension	-	-	-	-
Losses	-	-	115,051	279,023
Other short-term timing differences	1,992	-	-	1,849
	<u>36,207</u>	<u>-</u>	<u>115,051</u>	<u>343,694</u>

### 17. Called up share capital

	2020 £	2019 £
<b>Called-up, allotted, and fully paid</b>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

# Sherwin-Williams UK Coatings Limited

## Notes to the Financial Statements Year ended 31 December 2020

### 18. Financial commitments

#### Operating lease commitments

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

	2020 £	2019 £
<b>Land and Buildings</b>		
- within one year	125,583	125,583
- between one and five years	502,333	502,333
- after five years	439,542	565,125
	<u>1,067,458</u>	<u>1,193,041</u>
	2020 £	2019 £
<b>Other Machinery and Equipment</b>		
- within one year	80,519	111,828
- between one and five years	181,140	247,829
	<u>261,659</u>	<u>359,657</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 2020 was £174,765 (2019: £164,506).

### 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.

### 21. Ultimate parent company and controlling party

The immediate parent company is Sherwin-Williams UK Holding Limited, Avenue One, Station Lane, Witney, Oxfordshire, OX28 4XR. 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.