

REGISTERED NUMBER: 02849106 (England and Wales)

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

FOR

VALSPAR POWDER COATINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018

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VALSPAR POWDER COATINGS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:

J J Miklich
J M Donchess
D H Karnstein

REGISTERED OFFICE:

Goodlass Road
Speke
Liverpool
L24 9HJ

REGISTERED NUMBER:

02849106 (England and Wales)

AUDITOR:

Deloitte LLP
1 City Square
Leeds
LS1 2AL

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

The comparative period was a 15 month period from 1 October 2016 to 31 December 2017.

REVIEW OF BUSINESS

The performance in 2018 is reasonably in line with the expectations of the directors, and the directors believe the results for the year reflect the ongoing trading performance of the Company.

The Company made a net operating profit of £488,657 (2017: loss of £4,415,434). The profit after tax for the financial year ended 31 December 2018 was £201,300 (2017: loss of £5,276,774).

The turnover for the 12 month year to 31 December 2018 was £20,704,843, compared to the 15 months to 31 December 2017 being £23,688,213, proportionately, the turnover has marginally increased.

However, the gross margin has reduced, due to a number of factors including purchase price increase and the impact of the exchange rate from Euro to Sterling.

Net current liabilities have decreased to £11,302,187 (2017: £11,744,417) due to increase in current assets to £7,809,686 (2017: £7,266,982) and also due to the profit made in the year.

The directors work closely with management to anticipate the risks from economic or global factors and plan accordingly.

The Company is part of a cash pooling arrangement whereby cash balances are swept in their entirety to The Valspar (UK) Funding Corporation Ltd at the end of each day. The Company pays daily interest on cash swept from the pooling arrangement. The balance on loan at the year end is £14,687,550 (2017: £15,238,318) owed by Valspar Powder Coatings, this can be recalled by The Valspar (UK) Funding Corporation Limited at any time.

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

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

- increasing revenue (see review of business) - 2018 £20,704,843 (12 months) compared to 2017 £23,688,213 (15 month period);
- controlling costs - monthly review of costs carried out by management;
- accurate monthly accounts closed by day 3 of month end - monitored by corporate;
- balance sheet accounts reconciled by end of the following month - monitored by corporate;
- statutory accounts filed on time and no penalties incurred - evidenced by filing date;
- tax returns filed on time and no penalties incurred - evidenced by filing date and;
- clean audit reports, both internal and external as evidenced by no material misstatements or audit qualifications - evidenced by no misstatement.

PRINCIPAL RISKS AND UNCERTAINTIES

Valspar Powder Coatings Limited has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk.

The continuing uncertainty over Brexit and the risk of a Hard Brexit with the possibility of associated tariffs and delays have been minimised in the short term by inventory build throughout the supply chain. Long term potential cost increase have been built in to business models to track and mitigate potential costs where possible.

Risks which the Company faces include:

Legislative Risk

The Company identifies market demand and forecast volumes and works with suppliers to ensure chemicals meet required standards.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

- Our growth and results could be harmed if the reputation of our company or a key brand is damaged due to real or perceived quality issues, product recalls, regulatory enforcement or actions or customer claims and litigation.
- Our product and application technology is supported by underlying chemistry that has been developed over many years.

Legislative risk is managed by a dedicated compliance team. Ongoing research and development efforts focus on improving our internally developed and acquired technology and formulating changes to improve the performance, profitability and cost competitiveness of our products.

Foreign Exchange Risk

The Company is exposed to some foreign exchange risk, principally Euros and US dollars. The exposure is from the time of purchase or sale to the time of settlement. The risk of exposure is managed at a corporate level by Sherwin-Williams, through natural hedging via cashpool entities.

Competitive Risk

The Company trades in a highly competitive market and to manage this we try to secure customer contracts which last several years. Pricing, products and contract prices are managed by the business manager. Surveys have been made to ensure we remain competitive with regards to pricing, products and customer service.

Financial Instruments

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out below.

The Company has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk. Risks which the Company faces include price and product competition, integration of acquired businesses, performance risks under long term fixed price contracts, loss of supply of product components, changes in the regulatory and legal environment, and credit and interest rate risks.

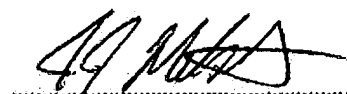
Loss of supplier product is managed by procurement and credit and interest rate risks are managed by Treasury. To address the risks the Company undertakes measures such as annual strategic plans for all product lines including SWOT analysis, full competitor analysis, along with constant monitoring of the regulatory environment reacting to any changes.

FUTURE DEVELOPMENTS

The competitive environment for the business is likely to remain intense in 2019. Our competitors will continue to tap into emerging markets. With the innovations and investments in research and development we have been making, and continue to make to the Company we are well prepared for these challenges.

The directors aim to maintain the policies which give us the confidence that the Company can continue to grow and deliver against its objectives which we have set out: volume growth ahead of our markets, steady and sustainable improvement in core operating margin and strong cash flow.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:



.....
JJ Miklich - Director

Date: 15 July 2019

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacture and distribution of powder coatings for the architectural and industrial markets.

DIVIDENDS

No dividends were paid or declared during the year ended 31 December 2018 (2017 - £nil).

FUTURE DEVELOPMENTS

See strategic report on page 3.

DIRECTORS

J J Miklich has held office during the whole of the period from 1 January 2018 to the date of this report.

Other changes in directors holding office are as follows:

J M Donchess – appointed 29 March 2019

D H Karnstein – appointed 29 March 2019

E N G Braggio – resigned 29 March 2019

A J Mistysyn – resigned 29 March 2019

GOING CONCERN

The company operates in a low growth market environment which is set to continue in 2019. 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.

In assessing the appropriateness of the application of the going concern basis, the directors have considered the uncertainties around the general economic environment, the current and future trading performance of the company and the available cash. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The company has net liabilities of £8,967,070 (2017 net liabilities: £9,168,370).

The company is part of the Sherwin Williams Company, a company incorporated in the United States of America. The 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.

POST BALANCE SHEET EVENTS

There have not been any significant matters subsequent to the balance sheet date.

DIRECTORS LIABILITIES

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

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, religion 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

Deloitte LLP were appointed as auditors during 2018 and have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....
J J Miklich - Director

Date: 15 July 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Financial Reporting Standard 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
VALSPAR POWDER COATINGS LIMITED

Opinion

In our opinion, the financial statements of Valspar Powder Coatings Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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 income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
VALSPAR POWDER COATINGS LIMITED

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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 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.

Auditors' 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 a Report of the Auditors 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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:

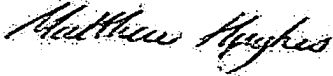
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
VALSPAR POWDER COATINGS LIMITED

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 a Report of the Auditors 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: 16 July 2019

VALSPAR POWDER COATINGS LIMITED (REGISTERED NUMBER: 02849106)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year Ended 31.12.18 £	£	Period 1.10.16 to 31.12.17 £	£
TURNOVER	4		20,704,843		23,688,213
Cost of sales			<u>(16,876,905)</u>		<u>(20,184,485)</u>
GROSS PROFIT			3,827,938		3,503,728
Distribution costs		(2,351,614)		(2,255,777)	
Administrative expenses		<u>(987,667)</u>		<u>(5,666,251)</u>	
			<u>(3,339,281)</u>		<u>(7,922,028)</u>
			488,657		(4,418,300)
Other operating income			<u>-</u>		<u>2,866</u>
OPERATING PROFIT/(LOSS)	6		488,657		(4,415,434)
Interest payable and similar expenses	7		<u>(287,357)</u>		<u>(271,863)</u>
PROFIT/(LOSS) BEFORE TAXATION			201,300		(4,687,297)
Tax on profit/(loss)	8		<u>-</u>		<u>589,477</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			<u>201,300</u>		<u>(5,276,774)</u>

The above results all derive from continuing operations.

There are no items of other comprehensive income so a separate statement has not been presented.

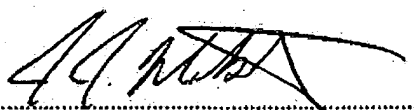
The notes form part of these financial statements

VALSPAR POWDER COATINGS LIMITED (REGISTERED NUMBER: 02849106)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	31.12.18		31.12.17	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		1,829,107		2,070,037
Investments	11		<u>506,010</u>		<u>506,010</u>
			2,335,117		2,576,047
CURRENT ASSETS					
Stocks	12	3,855,348		3,385,849	
Debtors	13	<u>3,954,338</u>		<u>3,881,133</u>	
		7,809,686		7,266,982	
CREDITORS					
Amounts falling due within one year	14	<u>(19,111,873)</u>		<u>(19,011,399)</u>	
NET CURRENT LIABILITIES			<u>(11,302,187)</u>		<u>(11,744,417)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(8,967,070)</u>		<u>(9,168,370)</u>
NET LIABILITIES			<u>(8,967,070)</u>		<u>(9,168,370)</u>
CAPITAL AND RESERVES					
Called up share capital	17		8,350,000		8,350,000
Retained earnings			<u>(17,317,070)</u>		<u>(17,518,370)</u>
SHAREHOLDERS' DEFICIT			<u>(8,967,070)</u>		<u>(9,168,370)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 15 July 2019 and were signed on its behalf by:



.....
J J Miklich - Director

The notes form part of these financial statements

VALSPAR POWDER COATINGS LIMITED (REGISTERED NUMBER: 02849106)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 October 2016	8,350,000	(12,241,596)	(3,891,596)
Changes in equity			
Total comprehensive loss	-	(5,276,774)	(5,276,774)
Balance at 31 December 2017	<u>8,350,000</u>	<u>(17,518,370)</u>	<u>(9,168,370)</u>
Changes in equity			
Profit and total comprehensive income	-	201,300	201,300
Balance at 31 December 2018	<u>8,350,000</u>	<u>(17,317,070)</u>	<u>(8,967,070)</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF COMPLIANCE

Valspar Powder Coatings Limited is a private company limited by shares incorporated in England. The registered office is:

Goodlass Road
Speke
Liverpool
L24 9HJ

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 December 2018.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in sterling.

Going concern

The Directors have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Company's ability to continue as a going concern for the foreseeable future. In forming this view the Directors have considered the uncertainties around the general economic environment, the current and future trading performance of the company and the available cash. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The company is dependent on financial support being made available by its ultimate parent company, The Sherwin Williams Company, to enable it to continue in operational existence and to meet its debts as they fall due. The directors confirm this support is in place and have assessed the ability of the parent company to provide this support and therefore believe that it is appropriate to prepare financial statements on a going concern basis.

The company has net liabilities of £8,967,070 (2017 net liabilities: £9,168,370).

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Valspar Powder Coatings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Sherwin-Williams.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Goodwill

Goodwill, representing the excess of the fair value of the consideration over the fair value of the identifiable net assets of the business and subsidiary undertakings acquired, is capitalised and written off on a straight-line basis over its useful economic life of 5 years.

Goodwill is reviewed for impairment if any indicator of such impairment exists.

Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation.

Amortisation is charged so as to allocate the cost of intangibles over their estimated useful lives, using straight-line method. The intangible assets are amortised over the following useful life:

Know-how - 5 years

Know-how is an intangible asset relating to the intellectual property of the necessary formula's to create the specific coatings.

The carrying value of intangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

All property, plant and equipment are initially recorded at cost.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, of each asset on a systematic basis over their expected useful life, as follows:

Plant and machinery - up to 20% on cost

Office equipment - up to 33 % on cost

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a first-in, first-out basis

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions are charged to profit or loss in the period to which they relate.

Investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expense.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The directors consider there to be no critical judgements or key sources of estimation.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

4. TURNOVER

The turnover and profit (2017 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Year Ended 31.12.18 £	Period 1.10.16 to 31.12.17 £
United Kingdom	15,252,098	18,352,950
Europe	3,983,050	4,695,901
Rest of the world	1,469,695	639,362
	<u>20,704,843</u>	<u>23,688,213</u>

Turnover consists of the net invoiced value of goods and services provided to customers, excluding value added tax.

5. EMPLOYEES AND DIRECTORS

	Year Ended 31.12.18 £	Period 1.10.16 to 31.12.17 £
Wages and salaries	3,143,555	4,328,654
Social security costs	336,881	420,203
Other pension costs	152,736	164,249
	<u>3,633,172</u>	<u>4,916,106</u>

The average number of employees during the year was as follows:

	Year Ended 31.12.18	Period 1.10.16 to 31.12.17
Management and administration	40	37
Production and development	46	47
	<u>86</u>	<u>84</u>

Directors' remuneration for the year ended 31 December 2018 and period ended 31 December 2017 have been borne by the ultimate parent Company. The directors of the Company are also directors or officers of other companies within the Sherwin-Williams group. The directors' services to the Company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the Company for the year ended 31 December 2018 and period ended 31 December 2017.

Share options in the ultimate parent undertaking are granted to the directors. During the period no directors exercised share options (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

6. OPERATING PROFIT/(LOSS)

The operating profit (2017 - operating loss) is stated after charging:

	Year Ended 31.12.18 £	Period 1.10.16 to 31.12.17 £
Other operating leases	84,480	157,381
Depreciation - owned assets	323,475	201,420
Loss on disposal of fixed assets	12,450	18,565
Goodwill - Inver amortisation	-	2,002,500
Foreign exchange differences	182,324	54,845
Building lease expense	188,000	191,851
Impairment of stock recognised as an expense	(3,985)	(189,202)
Goodwill – Inver impairment	-	1,201,500
	<u>-</u>	<u>1,201,500</u>

The analysis of auditor's remuneration is as follows:

	2018 £	2017 £
Fees payable to company's auditor for the audit of the company's annual accounts	22,000	48,382
Tax services	<u>3,900</u>	<u>4,700</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.12.18 £	Period 1.10.16 to 31.12.17 £
Net interest paid	<u>287,357</u>	<u>271,863</u>

8. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	Year Ended 31.12.18 £	Period 1.10.16 to 31.12.17 £
Deferred tax	-	589,477
Tax on profit/(loss)	<u>-</u>	<u>589,477</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

8. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31.12.18 £	Period 1.10.16 to 31.12.17 £
Profit/(loss) before tax	<u>201,300</u>	<u>(4,687,297)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.400%)	38,247	(909,336)
Effects of:		
Expenses not deductible for tax purposes	61,460	235,041
Depreciation in excess of capital allowances	2,800	431,162
Permanent difference on fixed assets reversal of timing differences	-	3,913
Tax losses utilised	(102,507)	-
Tax losses carried forward	-	239,220
Write-off of deferred tax asset	-	<u>589,477</u>
Total tax charge	<u>-</u>	<u>589,477</u>

The deferred tax asset not recognised in the financial statements is as follows:

	2018 Recognised £	2018 Not recognised £	2017 Recognised £	2017 Not recognised £
Tax losses	-	80,917	-	340,964
Accelerated capital allowances	-	<u>250,605</u>	-	<u>167,186</u>
	<u>-</u>	<u>331,522</u>	<u>-</u>	<u>518,127</u>

The Finance Act 2015 included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 included provisions to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020.

A decision has been made across the group that deferred tax is not considered to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

9. INTANGIBLE FIXED ASSETS

	Goodwill - VPC £	Goodwill - Inver £	Know-how £	Totals £
COST				
At 1 January 2018 and 31 December 2018	<u>2,983,398</u>	<u>8,010,000</u>	<u>1,000,000</u>	<u>11,993,398</u>
AMORTISATION				
At 1 January 2018 and 31 December 2018	<u>2,983,398</u>	<u>8,010,000</u>	<u>1,000,000</u>	<u>11,993,398</u>
NET BOOK VALUE				
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

10. TANGIBLE FIXED ASSETS

	Plant and machinery £	Office equipment £	CIP £	Totals £
COST				
At 1 January 2018	1,733,115	304,315	1,269,995	3,307,425
Additions	-	-	94,995	94,995
Disposals	(101,892)	(6,885)	-	(108,777)
Transfer	<u>1,277,867</u>	<u>1,384</u>	<u>(1,279,251)</u>	<u>-</u>
At 31 December 2018	<u>2,909,090</u>	<u>298,814</u>	<u>85,739</u>	<u>3,293,643</u>
DEPRECIATION				
At 1 January 2018	1,101,644	135,744	-	1,237,388
Charge for year	270,619	52,856	-	323,475
Eliminated on disposal	<u>(89,442)</u>	<u>(6,885)</u>	<u>-</u>	<u>(96,327)</u>
At 31 December 2018	<u>1,282,821</u>	<u>181,715</u>	<u>-</u>	<u>1,464,536</u>
NET BOOK VALUE				
At 31 December 2018	<u>1,626,269</u>	<u>117,099</u>	<u>85,739</u>	<u>1,829,107</u>
At 31 December 2017	<u>1,939,645</u>	<u>130,392</u>	<u>-</u>	<u>2,070,037</u>

The cost at 1 January 2018 has been restated to disclose CIP separately in the current year to allow the users of the financial statements to better understand the assets held.

11. INVESTMENTS

	Shares in group undertakings
COST	
At 1 January 2018 and 31 December 2018	<u>506,010</u>
NET BOOK VALUE	
At 31 December 2018	<u>506,010</u>
At 31 December 2017	<u>506,010</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

11. INVESTMENTS - continued

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Inver Color Limited

Registered office: Avenue One, Station Lane, Witney, Oxfordshire, OX28 4XR

Nature of business: Sale of thermosetting powder coatings

Class of shares:	%
Ordinary	holding 100.00

In the opinion of the directors, the investments in Company's subsidiary undertakings is worth at least the amount at which it is stated in the balance sheet.

12. STOCKS

	31.12.18	31.12.17
	£	£
Raw materials	1,765,007	1,398,573
Finished goods	1,922,628	1,910,434
Work-in-progress	167,713	76,842
	<u>3,855,348</u>	<u>3,385,849</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£	£
Trade debtors	3,051,767	3,272,665
Amounts owed by group undertakings	611,192	474,000
VAT	21,372	-
Prepayments	270,007	134,468
	<u>3,954,338</u>	<u>3,881,133</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£	£
Bank loans and overdrafts (see note 15)	2,400	470
Trade creditors	3,338,874	2,371,690
Social security and other taxes	-	95,639
Amounts owed to group undertakings	15,002,032	15,591,304
Other creditors and accruals	768,567	952,296
	<u>19,111,873</u>	<u>19,011,399</u>

Amounts owed to group undertakings relate to loan notes with an interest rate of 0.4% (average 3 months daily LIBOR rate), issued in 2012 from The Valspar (UK) Funding Corporation Limited. These notes have no fixed repayment date and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

15. LOANS

An analysis of the maturity of loans is given below:

	31.12.18 £	31.12.17 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>2,400</u>	<u>470</u>

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.18 £	31.12.17 £
Within one year	292,720	218,424
Between one and five years	932,037	905,962
In more than five years	<u>908,667</u>	<u>188,000</u>
	<u>2,133,424</u>	<u>1,312,386</u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.18 £	31.12.17 £
8,350,000	Ordinary	£1	<u>8,350,000</u>	<u>8,350,000</u>

18. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for the benefit of certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The total contributions paid in the period amounted to £152,736 (2017 : £164,249).

19. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is The Valspar (UK) Holding Corporation Limited, a Company registered in England and Wales.

As at 31 December 2018 the Company's ultimate parent undertaking and controlling party is Sherwin-Williams, which is incorporated in the United States of America. 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. Copies of its group financial statements, which include the Company, are available from:

The Sherwin-Williams Company
101 W. Prospect Ave
Cleveland
Ohio
USA
44115-1075