

Registered number: 226822

SIKA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

TUESDAY



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SIKA LIMITED

COMPANY INFORMATION

Directors	P Schuler DE Lang Sika AG
Registered number	226822
Registered office	Watchmead Welwyn Garden City Hertfordshire AL7 1BQ
Independent auditors	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Bankers	Citibank, N.A., London Branch Citigroup Centre 2 25 Canada Square London E14 5LB

SIKA LIMITED

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SIKA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

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

The profit for the year, after taxation, amounted to £11,245,756 (2015: £5,435,747). On the 31st May 2016, the directors declared a dividend of £10,000,000 (2015: £11,200,000).

Business review

2016 proved to be a very successful year in terms of sales growth and similarly, profitability increased significantly. The company's key financial and other performance indicators were as follows:

	2016 £000's	2015 £000's	Change %
Turnover	131,530	115,801	13.6
Gross profit	45,043	39,952	34.2
Profit after tax	11,246	5,435	106.9
Average number of employees	434	407	6.6

Principal risks and uncertainties

Business risks generally are mitigated as far as possible because the company's core businesses are positioned to service not only new build projects but also repair and maintenance needs.

Energy costs have continued to increase ahead of general inflationary trends as have raw materials prices.

The company consistently reviews its financial risk management and the directors believe that the company has minimal exposure to liquidity or cash flow risk. Credit risk is managed through the setting of credit limits and close control of overdue balances. Exposure to price risk due to commodity movements impacting raw material costs are mitigated by group wide purchasing abilities and controls.

Financial key performance indicators

Gross profit percentage decreased marginally to 34.2% from 34.5% in the prior year.
Employee numbers increased to 434 from 407 in 2015.

Other key performance indicators

Delivery schedule adherence is a key measure employed by the company in its aim to provide customer satisfaction. The company has plans in place to achieve 100% delivery time satisfaction. In 2016 this stood at 99.36% compared with 99.47% in the prior year.

This report was approved by the board on

4 July 2017

and signed on its behalf.


DE Lang
Director

SIKA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 for the Company's financial statements 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;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £11,245,756 (2015 - £5,435,747).

On the 31st May 2016, the directors declared and paid a dividend to the parent of £10,000,000 (2015 - £11,200,000).

Directors

The directors who served during the year were:

P Schuler
DE Lang
Sika AG

Future developments

The company and the group are actively pursuing a strategy of organic growth with a widening of the customer base, and where the opportunity exists, growth through acquisition.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has been continued through 'Company Information Meetings' in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. The company operates a bonus scheme based on a combination of corporate and personal objectives.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

On the 20th May 2017, the directors declared a dividend of £8,483,000 (2015: £10,000,000).

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 July 2017 and signed on its behalf.


DE Lang
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIKA LIMITED

We have audited the financial statements of Sika Limited for the year ended 31 December 2016, set out on pages 6 to 27 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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 those financial statements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIKA LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

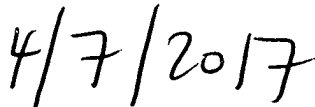


Tehseen Ali (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP

100 Barbirolli Square
Manchester
M2 3EY

Date:



SIKA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	4	131,529,836	115,801,245
Cost of sales		(86,486,016)	(75,848,936)
Gross profit		45,043,820	39,952,309
Administrative expenses		(37,981,633)	(35,072,146)
Operating profit		7,062,187	4,880,163
Income from fixed assets investments		7,212,000	3,700,000
Interest receivable and similar income	9	-	69
Interest payable and similar charges	10	(1,678,071)	(2,554,389)
Profit on ordinary activities before taxation		12,596,116	6,025,843
Taxation on profit/(loss) on ordinary activities	11	(1,350,360)	(590,096)
Profit for the year		<u>11,245,756</u>	<u>5,435,747</u>

The notes on pages 10 to 27 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Profit for the financial year		11,245,756	5,435,747
Total comprehensive income for the year		<u>11,245,756</u>	<u>5,435,747</u>

SIKA LIMITED
REGISTERED NUMBER:226822

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	13	1,611,051	2,083,279
Tangible assets	14	9,877,848	9,527,542
Investments	15	60,785,486	60,918,487
		<u>72,274,385</u>	<u>72,529,308</u>
Current assets			
Stocks	16	7,994,987	6,532,852
Debtors: amounts falling due within one year	17	22,662,691	19,868,845
Cash at bank and in hand	18	8,629	562,069
		<u>30,666,307</u>	<u>26,963,766</u>
Creditors: amounts falling due within one year	19	(18,264,045)	(12,624,932)
Net current assets		<u>12,402,262</u>	<u>14,338,834</u>
Total assets less current liabilities		<u>84,676,647</u>	<u>86,868,142</u>
Creditors: amounts falling due after more than one year	20	(64,796,121)	(68,133,904)
Provisions for liabilities			
Deferred tax	21	(234,705)	(295,173)
Other provisions	22	(293,000)	(332,000)
		<u>(527,705)</u>	<u>(627,173)</u>
Net assets		<u><u>19,352,821</u></u>	<u><u>18,107,065</u></u>
Capital and reserves			
Called up share capital	23	3,000,000	3,000,000
Other reserves		2,307,563	2,307,563
Profit and loss account		14,045,258	12,799,502
		<u><u>19,352,821</u></u>	<u><u>18,107,065</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

4 July 2017


DE Lang
 Director

SIKA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	3,000,000	2,307,563	12,799,502	18,107,065
Comprehensive income for the year				
Profit for the year	-	-	11,245,756	11,245,756
Total comprehensive income for the year	-	-	11,245,756	11,245,756
Dividends: Equity capital	-	-	(10,000,000)	(10,000,000)
Total transactions with owners	-	-	(10,000,000)	(10,000,000)
At 31 December 2016	3,000,000	2,307,563	14,045,258	19,352,821

SIKA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2015	3,000,000	2,307,563	18,563,755	23,871,318
Comprehensive income for the year				
Profit for the year	-	-	5,435,747	5,435,747
Total comprehensive income for the year	-	-	5,435,747	5,435,747
Dividends: Equity capital	-	-	(11,200,000)	(11,200,000)
Total transactions with owners	-	-	(11,200,000)	(11,200,000)
At 31 December 2015	3,000,000	2,307,563	12,799,502	18,107,065

The notes on pages 10 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. General information

The company is incorporated in England and the directors consider the going concern basis for the preparation of these financial statements to be appropriate. The registered office is Watchmead, Welwyn Garden City, Hertfordshire AL7 1BQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in compliance with Financial Reporting Standard 102 as it applies to the financial statements of the Company for the year ended 31 December 2016. The financial statements are prepared in sterling which is the functional currency of the company.

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sika AG, which is the ultimate controlling party, as at 31 December 2016 and these financial statements may be obtained from Zugerstrasse 50, CH-6341 Baar, Switzerland.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.4 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis (land is not depreciated):

Freehold property	- over 4 to 25 years
Plant and machinery	- over 5 to 10 years
Motor vehicles	- over 4 years
Fixtures and fittings	- over 6 years
Computer equipment	- over 3 to 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss.

2.5 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company currently does not hold any derivatives.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

3.1 Determine whether there are indicators of impairment of the company's tangible and intangible assets including goodwill. Factors taken into consideration include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of the asset.

3.2 Tangible and intangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Turnover

	2016 £	2015 £
The whole of the turnover is attributable to one principal continuing activity	131,529,836	115,801,245
	<u>131,529,836</u>	<u>115,801,245</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	117,347,588	102,472,637
Rest of Europe	11,478,405	11,669,857
Rest of the world	2,703,843	1,658,751
	<u>131,529,836</u>	<u>115,801,245</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Research & development charged as an expense	5,881	-
Depreciation of tangible fixed assets	952,439	894,538
Amortisation of intangible assets, including goodwill	472,228	471,828
Loss on disposal of fixed assets	-	56,645
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	45,450	50,360
Exchange differences	110,818	(19,077)
Operating lease rentals	3,248,801	3,397,115
Stock provision credit	(107,228)	(215,882)
Stocks recognised as an expense in the period	79,107,719	74,112,495
Defined contribution pension cost	1,359,288	1,256,605
	<u></u>	<u></u>

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	45,450	50,360
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	14,850	33,229
	<u></u>	<u></u>

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	19,907,631	18,243,730
Social security costs	2,398,887	2,209,090
Cost of defined contribution scheme	1,359,288	1,256,605
	<u>23,665,806</u>	<u>21,709,425</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Production	92	92
Selling and marketing staff	158	131
Administrative staff	184	184
	<u>434</u>	<u>407</u>

8. Income from investments

	2016 £	2015 £
Dividends received from investments in subsidiaries	<u>7,212,000</u>	<u>3,700,000</u>

9. Interest receivable and similar income

	2016 £	2015 £
Other interest receivable	<u>-</u>	<u>69</u>

10. Interest payable and similar charges

	2016 £	2015 £
Group interest payable	<u>1,678,071</u>	<u>2,554,389</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	1,174,000	305,000
Adjustments in respect of previous periods	236,828	55,798
Total current tax	<u>1,410,828</u>	<u>360,798</u>
Deferred tax		
Origination and reversal of timing differences	(60,468)	229,298
Total deferred tax	<u>(60,468)</u>	<u>229,298</u>
Taxation on profit on ordinary activities	<u>1,350,360</u>	<u>590,096</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>12,596,116</u>	<u>6,025,843</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	2,519,223	1,220,233
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	164,000	86,315
Adjustments to tax charge in respect of prior periods	236,828	55,798
Prior period adjustment deferred taxation	(125,000)	44,000
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(67,000)
Dividends from UK companies	(1,442,400)	(749,250)
Other differences leading to an decrease in the tax charge	(2,291)	-
Total tax charge/(credit) for the year	<u>1,350,360</u>	<u>590,096</u>

Factors that may affect future tax charges

The Chancellor of the Exchequer has announced his intention to gradually reduce the corporation tax rate to 17%. The effect of this change will be reflected in the financial statements of the company in future years.

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Dividends

	2016 £	2015 £
Dividends paid to Sika AG	<u>10,000,000</u>	<u>11,200,000</u>

13. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2016	<u>1,246,135</u>	<u>2,982,000</u>	<u>4,228,135</u>
At 31 December 2016	<u>1,246,135</u>	<u>2,982,000</u>	<u>4,228,135</u>
Amortisation			
At 1 January 2016	<u>498,456</u>	<u>1,646,400</u>	<u>2,144,856</u>
Charge for the year	<u>249,228</u>	<u>223,000</u>	<u>472,228</u>
At 31 December 2016	<u>747,684</u>	<u>1,869,400</u>	<u>2,617,084</u>
Net book value			
At 31 December 2016	<u>498,451</u>	<u>1,112,600</u>	<u>1,611,051</u>
At 31 December 2015	<u>747,679</u>	<u>1,335,600</u>	<u>2,083,279</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Tangible assets

	Land & buildings £	Plant and machinery, fixtures and fittings and computer equipment £	Motor vehicles £	Construction in progress £	Total £
Cost or valuation					
At 1 January 2016	9,087,484	10,947,301	45,603	355,463	20,435,851
Additions	-	-	-	1,302,745	1,302,745
Transfers between classes	73,680	1,068,969	-	(1,142,649)	-
At 31 December 2016	<u>9,161,164</u>	<u>12,016,270</u>	<u>45,603</u>	<u>515,559</u>	<u>21,738,596</u>
Depreciation					
At 1 January 2016	4,211,159	6,651,547	45,603	-	10,908,309
Charge for the period on owned assets	159,609	792,830	-	-	952,439
At 31 December 2016	<u>4,370,768</u>	<u>7,444,377</u>	<u>45,603</u>	<u>-</u>	<u>11,860,748</u>
Net book value					
At 31 December 2016	<u>4,790,396</u>	<u>4,571,893</u>	<u>-</u>	<u>515,559</u>	<u>9,877,848</u>
At 31 December 2015	<u>4,876,325</u>	<u>4,295,754</u>	<u>-</u>	<u>355,463</u>	<u>9,527,542</u>

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	60,918,487
impairment	(133,001)
At 31 December 2016	<u>60,785,486</u>
Net book value	
At 31 December 2016	<u>60,785,486</u>
At 31 December 2015	<u>60,918,487</u>

During the year, Sika AG impaired the investment in Axson UK Limited by (£133,001) as result of the reallocation of exchange differences.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Everbuild Building Products Limited	Ordinary	100 %	Manufacture, packaging of sealants, adhesives and building products
Axson UK Limited	Ordinary	100 %	Supply of polyurethane and epoxy products
Liquid Plastics Limited	Ordinary	100 %	Dormant
Sika Contracts Limited	Ordinary	100 %	Dormant
Sarnafil Roof Assured Limited	Ordinary	90.25 %	Dormant

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Stocks

	2016 £	2015 £
Raw materials and consumables	1,872,980	1,549,555
Work in progress (goods to be sold)	158,627	224,714
Finished goods and goods for resale	5,963,380	4,758,583
	<u>7,994,987</u>	<u>6,532,852</u>

17. Debtors

	2016 £	2015 £
Trade debtors	18,447,402	15,660,434
Amounts owed by group undertakings	3,234,349	2,781,219
Other debtors	147,969	360,677
Prepayments and accrued income	832,971	1,066,515
	<u>22,662,691</u>	<u>19,868,845</u>

Trade and other debtors are stated at cost and are receivable within 45 days. Amounts owed by group undertakings are disclosed in note 26.
Fair value is equal to book value.

18. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	8,629	562,069
Less: bank overdrafts	(50)	(385)
	<u>8,579</u>	<u>561,684</u>

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	50	385
Trade creditors	4,261,105	3,529,134
Amounts owed to group undertakings	6,202,359	2,774,714
Corporation tax	392,999	-
Other taxation and social security	2,411,568	2,076,672
Other creditors	41,177	40,517
Accruals and deferred income	4,954,787	4,203,510
	<u>18,264,045</u>	<u>12,624,932</u>

Trade and other creditors are stated at cost and payable within 45 days. Amounts owed to group undertakings are disclosed in note 26.
Fair value is equal to book value.

20. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to group undertakings	64,796,121	68,133,904
	<u>64,796,121</u>	<u>68,133,904</u>

21. Deferred taxation

	2016 £	2015 £
At beginning of year	(295,173)	(65,875)
Charged to profit or loss	60,468	(229,298)
At end of year	<u>(234,705)</u>	<u>(295,173)</u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(356,000)	(489,173)
Other timing differences	121,295	194,000
	<u>(234,705)</u>	<u>(295,173)</u>

SIKA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Provisions

	Warranty provision £
At 1 January 2016	332,000
Charged to profit or loss	(39,000)
At 31 December 2016	<u>293,000</u>

23. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
3,000,000 Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

24. Pension commitments

The company operates a money purchase scheme for the benefit of the employees. The assets of the scheme are administered by the trustees in a fund independent from those of the company. As at 31 December 2016 outstanding contributions to this scheme amounted to £nil (2015 £105,751).

25. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Land and Buildings		
Not later than 1 year	923,321	723,793
Later than 1 year and not later than 5 years	4,033,269	34,715
Later than 5 years	6,773,129	-
	<u>11,729,719</u>	<u>758,508</u>
Other		
Not later than 1 year	1,377,839	1,081,506
Later than 1 year and not later than 5 years	1,083,326	951,755
	<u>2,461,165</u>	<u>2,033,261</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. Related party transactions

Balances with fellow subsidiary undertakings of £3.2m receivable and £2.4m payable (see notes 17 and 19) are stated at cost and receivable/payable within 45 days.

The loan agreement with Sika Finanz AG (£64.8m - note 20) is for a revolving fixed term of 5 years but terminable with 12 months prior notice by either party. The cash pool element of the loan (-£0.2m at 31 December 2016) is terminable immediately and recoverable within 5 working days. Interest is charged at 2.79%.

Fair value is equal to book value.