

Registered number: 00226822

SIKA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



SIKA LIMITED

COMPANY INFORMATION

Directors	P Schuler DE Lang Sika AG
Registered number	00226822
Registered office	Watchmead Welwyn Garden City Hertfordshire AL7 1BQ
Independent auditors	Ernst & Young LLP 2 St Peter's Square Manchester M2 3DF
Bankers	Citibank, N.A., London Branch Citigroup Centre 2 25 Canada Square London E14 SLB

SIKA LIMITED

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SIKA LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Introduction

The directors present their report and financial statements for the year ended 31 December 2018.

The profit for the year, after taxation, amounted to £8,202,091 (2017: £7,578,948). On the 20th May 2018, the directors declared a dividend of £1,800,000 (2017: £8,483,000).

Business review

2018 proved to be a very successful year in terms of sales growth although profitability decreased. The company's key financial and other performance indicators were as follows:

	2018 £000's	2017 £000's	Change %
Turnover	149,883	141,241	+6.1
Gross profit	51,723	46,102	+12.2
Profit after tax	8,202	7,579	+21.1
Average number of employees	446	443	+0.7

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 increased to 34.5% from 32.6% in the prior year. Employee numbers increased to 446 from 443 in 2017.

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 2018 this stood at 99.6% compared with 99.55% in the prior year.

This report was approved by the board on 30/09/2019

and signed on its behalf.


DE Lang
Director

**SIKA LIMITED
DIRECTORS'REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

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 to 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 £8,202,091 (2017 - £7,578,948).

On the 20th May 2018, the directors declared a dividend to the parent of £1,800,000 (2017 - £8,483,000).

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.

SIKA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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 30/09/19 and signed on its behalf.



DE Lang
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIKA LIMITED

Opinion

We have audited the financial statements of Sika Limited for the year ended 31 December 2018 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIKA LIMITED (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 3, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out 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, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIKA LIMITED (continued)

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.

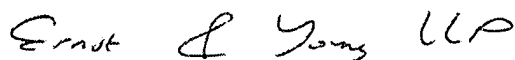
Auditor's responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Tehseen Ali (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester

Date 2/10/2019

SIKA LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	149,883,144	141,241,376
Cost of sales		(98,160,000)	(95,139,576)
Gross profit		51,723,144	46,101,800
Administrative expenses		(41,890,590)	(40,165,541)
Operating profit		9,832,554	5,936,259
Income from fixed assets investments	8	2,500,000	4,620,000
Interest payable and similar charges	9	(1,541,779)	(1,898,935)
Profit on ordinary activities before taxation		10,790,775	8,657,324
Taxation on profit on ordinary activities	10	(2,588,684)	(1,078,376)
Profit for the year		8,202,091	7,578,948

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £nil)

The notes on pages 10 to 26 form part of these financial statements.

SIKA LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	907,398	1,139,223
Tangible assets	13	11,787,973	11,518,566
Investments	14	60,785,486	60,785,486
		<u>73,480,857</u>	<u>73,443,275</u>
Current assets			
Stocks	15	7,885,562	9,181,958
Debtors: amounts falling due within one year	16	23,801,635	23,719,927
Cash at bank and in hand	17	28,207	37
		<u>31,715,404</u>	<u>32,901,922</u>
Creditors: amounts falling due within one year	18	<u>(20,097,604)</u>	<u>(17,761,594)</u>
Net current assets		<u>11,617,800</u>	<u>15,140,328</u>
Total assets less current liabilities		<u>85,098,657</u>	<u>88,583,603</u>
Creditors : amounts falling due after more than one year	19	(58,633,168)	(69,580,391)
Provisions for liabilities			
Deferred tax	20	(1,147,629)	(217,443)
Other provisions	21	<u>(467,000)</u>	<u>(337,000)</u>
		<u>(1,614,629)</u>	<u>(554,443)</u>
Net assets		<u>24,850,860</u>	<u>18,448,769</u>
Capital and reserves			
Called up share capital	22	3,000,000	3,000,000
Other reserves		2,307,563	2,307,563
Profit and loss account		<u>19,543,297</u>	<u>13,141,206</u>
		<u>24,850,860</u>	<u>18,448,769</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20/1/2019

DE Lang
Director

The notes on pages 10 to 26 form part of these financial statements.

SIKA LIMITED

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

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2017	3,000,000	2,307,563	14,045,258	19,352,821
Total comprehensive income for the year				
Profit for the year	-	-	7,578,948	7,578,948
Transactions with owners, recorded directly in equity				
Dividends: Equity capital	-	-	(8,483,000)	(8,483,000)
At 31 December 2017	<u>3,000,000</u>	<u>2,307,563</u>	<u>13,141,206</u>	<u>18,448,769</u>
At 1 January 2018	3,000,000	2,307,563	13,141,206	18,448,769
Total comprehensive income for the year				
Profit for the year	-	-	8,202,091	8,202,091
Transactions with owners, recorded directly in equity	-	-	8,202,091	8,202,091
Dividends: Equity capital	-	-	(1,800,000)	(1,800,000)
At 31 December 2018	<u>3,000,000</u>	<u>2,307,563</u>	<u>19,543,297</u>	<u>24,850,860</u>

The notes on pages 10 to 26 form part of these financial statements.

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

1. General information

Sika Limited (the "Company") is a company incorporated in England and Wales 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 2018. 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 2018 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 2018**

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 2018**

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 2018**

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.

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.

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

2. Accounting policies (continued)

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.

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 2016 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 2018**

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 Borrowing costs

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

2.17 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.

2.18 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.

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

2. Accounting policies (continued)

2.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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.

4. Turnover

	2018 £	2017 £
The whole of the turnover is attributable to one principal continuing activity	149,883,144	141,241,376

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	134,648,400	124,867,621
Rest of Europe	13,907,249	13,274,686
Rest of the world	1,327,495	3,099,069
	<u>149,883,144</u>	<u>141,241,376</u>

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

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Research & development charged as an expense	-	(4,634)
Depreciation of tangible fixed assets	1,192,217	1,087,996
Amortisation of intangible assets, including goodwill	520,185	471,828
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	35,998	51,686
Exchange differences	36,697	75,045
Operating lease rentals	3,272,624	3,099,365
Stock provision charge/(credit)	79,754	507,836
Stocks recognised as an expense in the period	87,752,963	86,524,603
Defined contribution pension cost	<u>1,646,465</u>	<u>1,565,566</u>

6. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	35,998	51,686
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	<u>17,250</u>	<u>22,000</u>

SIKA LIMITED

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

7. Employees

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	22,452,625	20,666,505
Social security costs	2,887,081	2,467,422
Cost of defined contribution scheme	1,646,465	1,565,566
	<u>26,986,171</u>	<u>24,699,493</u>

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

	2018	2017
	No.	No.
Production	96	94
Selling and marketing staff	172	161
Administrative staff	178	188
	<u>446</u>	<u>443</u>

8. Income from investments

	2018	2017
	£	£
Dividends received from investments in subsidiaries	2,500,000	4,620,000
	<u>2,500,000</u>	<u>4,620,000</u>

9. Interest payable and similar charges

	2018	2017
	£	£
Group interest payable	1,541,779	1,898,935
	<u>1,541,779</u>	<u>1,898,935</u>

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

10. Taxation

	2018	2017
	£	£
Corporation tax		
Current tax on profits for the year	1,743,025	1,008,638
Adjustments in respect of previous periods	(84,527)	87,000
Total current tax	<u>1,658,498</u>	<u>1,095,638</u>
Deferred tax		
Origination and reversal of timing differences	(53,797)	(17,262)
Total deferred tax	<u>(53,797)</u>	<u>(17,262)</u>
Taxation on profit on ordinary activities	<u>2,588,684</u>	<u>1,078,376</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

	2018	2017
	£	£
Profit on ordinary activities before tax	10,790,776	8,657,324
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	2,050,247	1,666,535
Effects of:		
Expenses not deductible for tax purposes , other than goodwill amortisation and impairment	113,981	172,240
Adjustments to tax charge in respect of prior periods	893,793	87,000
Prior period adjustment deferred taxation	-	-
Dividends from UK companies	(475,000)	(889,350)
An increase/(decrease) in the tax charge	5,663	41,951
Total tax charge/(credit) for the year	<u>2,588,684</u>	<u>1,078,376</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 2018**

11. Dividends

	2018	2017
	£	£
Dividends paid to Sika AG	<u>1,800,000</u>	<u>8,483,000</u>

12. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2018	1,246,135	2,982,000	4,228,135
At 31 December 2018	<u>1,246,135</u>	<u>2,982,000</u>	<u>4,228,135</u>
Amortisation			
At 1 January 2018	996,912	2,092,000	3,088,912
Charge for the year	249,223	270,962	520,185
At 31 December 2018	<u>1,246,135</u>	<u>2,074,602</u>	<u>3,320,737</u>
Net book value			
At 31 December 2018	<u>-</u>	<u>907,398</u>	<u>907,398</u>
At 31 December 2017	<u>249,223</u>	<u>890,000</u>	<u>1,139,223</u>

SIKA LIMITED

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

13. Tangible assets

	Land & buildings £	Plant & Machinery, Fixtures & Fittings & Computer Equipment £	Motor Vehicles £	Construction in progress £	Total £
Cost or valuation					
At 1 January 2018	9,611,420	12,276,618	45,603	1,700,676	23,634,317
Additions	21,075	4,163,681	-	-	4,184,756
Disposals	-	-	(45,603)	-	(45,603)
Transfers between classes	-	684,076	-	(684,076)	-
At 31 December 2018	9,632,495	17,124,375	-	1,016,600	27,773,470
Depreciation					
At 1 January 2018	4,534,468	7,535,680	45,603	-	12,115,751
Charge for the year on owned assets	118,250	3,797,099	-	-	3,915,349
Disposals	-	-	(45,603)	-	(45,603)
At 31 December 2018	4,652,718	11,332,779	-	-	15,985,497
Net book value					
At 31 December 2018	<u>4,979,777</u>	<u>5,791,596</u>	<u>-</u>	<u>1,016,600</u>	<u>11,787,973</u>
At 31 December 2017	<u>5,076,952</u>	<u>4,740,938</u>	<u>-</u>	<u>1,700,676</u>	<u>11,518,566</u>

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

14 Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	60,785,486
At 31 December 2018	<u>60,785,486</u>
 Net book value	
At 31 December 2018	<u>60,785,486</u>
At 31 December 2017	<u>60,785,486</u>

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

All companies are incorporated in the United Kingdom.

SIKA LIMITED

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

15. Stocks

	2018	2017
	£	£
Raw materials and consumables	2,343,236	1,878,572
Work in progress (goods to be sold)	116,555	124,300
Finished goods and goods for resale	5,425,771	7,179,086
	<u>7,885,562</u>	<u>9,181,958</u>

16. Debtors

	2018	2017
	£	£
Trade debtors	20,031,622	19,737,180
Amounts owed by group undertakings	2,321,973	2,909,552
Other debtors	336,347	181,897
Prepayments and accrued income	1,111,693	891,298
	<u>23,801,635</u>	<u>23,719,927</u>

Trade and other debtors are stated at cost and are receivable within 45 days. Amounts owed by group undertakings are disclosed in note 25.

Fair value is equal to book value.

17. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	28,207	37
Less: bank overdrafts	-	(136,803)
	<u>28,207</u>	<u>(136,766)</u>

SIKA LIMITED

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

18. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Bank overdrafts	-	136,803
Trade creditors	7,623,383	5,734,622
Amounts owed to group undertakings	2,952,105	4,350,808
Corporation tax	725,892	299,401
Other taxation and social security	2,521,460	2,363,510
Other creditors	-	63
Accruals and deferred income	6,274,764	4,876,387
	<u>20,097,604</u>	<u>17,761,594</u>

Trade and other creditors are stated at cost and payable within 45 days. Amounts owed to group undertakings are disclosed in note 25.

Fair value is equal to book value.

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

	2018	2017
	£	£
Amounts owed to group undertakings	58,633,168	69,580,391
	<u>58,633,168</u>	<u>69,580,391</u>

20. Deferred taxation

	2018	2017
	£	£
At beginning of year	217,443	234,705
Adjustment in respect of prior years	978,320	-
Charged to profit or loss	(48,134)	(17,262)
At end of year	1,147,629	217,443

The provision for deferred taxation is made up as follows:

	2018	2017
	£	£
Accelerated capital allowances	1,355,237	384,523
Other timing differences	(207,608)	(167,080)
	<u>1,147,629</u>	<u>217,443</u>

SIKA LIMITED

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

21. Provisions

	Warranty provision £
At 1 January 2018	337,000
Charged to profit or loss	130,000
At 31 December 2018	<u>467,000</u>

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
3,000,000 Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

23. 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 2018 outstanding contributions to this scheme amounted to £222,005 (2017: £212,027).

24. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and Buildings		
Not later than 1 year	957,000	939,000
Later than 1 year and not later than 5 years	3,203,000	3,612,000
Later than 5 years	6,858,000	6,587,000
	<u>11,018,000</u>	<u>11,138,000</u>
Other		
Not later than 1 year	1,362,000	1,391,000
Later than 1 year and not later than 5 years	1,392,000	1,505,000
	<u>2,754,000</u>	<u>2,896,000</u>

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

25. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. As explained in note 2.1, exemption has been taken from disclosing transactions with related parties and information about key management personnel. Balances with related parties have been disclosed in notes 16, 18 and 19.

26. Ultimate parent undertaking and controlling party

In the opinion of the directors, the company's immediate parent undertaking is Sika Limited, a company incorporated in England. The company's ultimate and controlling party is Sika AG, which is incorporated in Baar, Switzerland, and prepares group financial statements. Copies of the group financial statements of Sika AG are available from Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland.