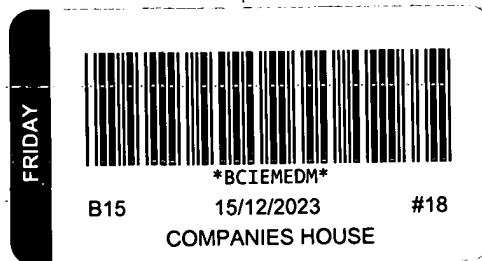


REGISTERED NUMBER: 00226822 (England and Wales)

Sika Limited

Annual report and financial statements

for the Year Ended 31 December 2022



**Sika Limited**

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for the Year Ended 31 December 2022**

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**Sika Limited**

**Company Information  
for the Year Ended 31 December 2022**

<b>Directors:</b>	D E Lang A C Gonzalez Lucas Sika AG
<b>Registered office:</b>	Watchmead Welwyn Garden City Hertfordshire AL7 1BQ United Kingdom
<b>Registered number:</b>	00226822 (England and Wales)
<b>Auditors:</b>	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
<b>Bankers:</b>	Citibank, N.A., London Branch Citigroup Centre 2 25 Canada Square London E14 5LB United Kingdom

## **Sika Limited**

### **Strategic Report for the Year Ended 31 December 2022**

The directors present this Strategic Report for the year ended 31 December 2022.

The directors, in preparing this Strategic Report, have complied with Section 414C of the Companies Act 2006.

#### **Business review**

On comparison between 2021 and 2022, the turnover declined by < 1%. The market remains price sensitive, ongoing supply chain issues and increases to raw material costs resulted in gross margin reduction of 1.6%. The Company continued to focus on innovation, product portfolio and service levels in order to secure a strong position in the UK market and continues its strategic planning approach to pricing.

The Company's key financial and other performance indicators during the year were as follows:

	2022	2021	Movement
	£	£	%
Turnover	175,629,186	175,660,022	0.0%
Turnover growth	(30,836)	38,778,155	
Gross margin	40.81%	41.46%	-1.6%
Profit/(Loss) before tax	14,413,538	(9,448,913)	252.5%

Turnover decreased by less than one percent compared to last year and gross margin declined slightly to 40.8%.

#### **Exceptional expense**

During the year, the company incurred an exceptional expense of £4.8 million due to integration and planning consultancy fees for the upcoming acquisition of MBCC Construction Chemicals Limited.

In May 2023, the acquisition was completed. The newly acquired business offers construction solutions in waterproofing solutions, sealants, concrete repair & protection solutions, performance grouts, and performance flooring solutions.

The acquisition will help strengthen Sika's position within these target markets.

#### **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 process.

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.

In 2022 following the Coronavirus pandemic, there was uncertainty in the market around possible reduced consumer demand. In addition, we faced price increases to raw materials and energy costs. Trading performance remained consistent with the prior year, however, there was a slight decline in gross margin. The directors continued to manage the impacts both current and potential, to sales, supply chains, and manufacturing. The business remains cautious about the impacts of inflation and rising Costs.

#### **Research and development**

The Company has a research and development programme for both new products and markets and the improvement of existing products. The Company's policy is to write off research and development expenditure in the year in which it is incurred. R&D expenditure of £318,955 was incurred in 2022 : 2021 £175,475

## **Sika Limited**

### **Strategic Report - continued for the Year Ended 31 December 2022**

#### **Financial risk management objectives and policies**

The director considers that the financial risks relevant to the Company are price risk, credit risk, cash flow risks and liquidity risk

##### *Price risk*

The Company operates in a competitive market environment, whereas prices of goods are seen as one of the crucial factors. Price competitiveness is ensured by constantly improving efficiency in the manufacturing and logistics processes, which allows maintaining and improving margins. Furthermore, the Company strives to provide a high standard of service levels to its customers ensuring stock availability and on time delivery on all its goods, which can be seen as a competitive advantage to its competitors.

The company continues to face challenges due to ongoing cost increases and the impact of rising inflation rates. The company balances those impacts with a mixture of specific price increases and efficiency gains in order to maintain margin.

Whilst trading conditions remain highly competitive and the economic climate is uncertain, the directors are confident that the business is well placed to meet the challenging year ahead.

##### *Credit Risk and Cash flow risk*

Trade debtors are managed in respect of credit and cash flow risk policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

##### *Liquidity risk*

Liquidity is maintained mainly through the Company's continuing significant profitability. Therefore, sufficient funds for ongoing operations and future developments are ensured through a mixture of short and long-term intercompany funding and retained profits.

#### **Section 172 of the companies act 2006**

The Directors fulfil their duty by ensuring that there is a strong governance structure through all aspects of the company's operations. The future success of Sika is not only dependent on pursuing the right strategy, but is just as much based on the trust and dedication of all employees. The Sika Spirit is a synonym of the strong set of values and principles which makes up the DNA of the company. Five management principles express the corporate culture and are the foundation of future success:

- **Customer first** - Sika is dedicated in providing and maintaining highest quality standards with its products and services. All solutions are designed with the customers' success in mind and to build long lasting and mutually beneficial relationships rather than focus on short-term business.
- **Courage for Innovation** - The success and reputation of our company is based on its long - lasting tradition of innovation. Accordingly, the core of the business is innovation management and focus on developing quality products and the best solutions for customers.
- **Sustainability & Integrity** - Sika takes a long-term perspective on the development of the business and acts with respect and responsibility towards its customers, stakeholders and employees. The company operates with a strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth and value creation. Sika does not compromise on integrity and apply high ethical standards to its work. Our internal "Code of Conduct" defines the standards and rules of behaviour for the company and all its employees.
- **Empowerment & Respect** - Sika fosters trustful and respectful working relationships and doesn't exercise authority in purely formal ways. The working climate is one of aspiration and inspiration. Sika empowers its people to develop and propose new ideas and delegates decisions and responsibilities to the level of competence.
- **Manage for Results** - Sika aims for success and takes pride in continuously achieving outstanding results and outperforming its markets. The company pursues the vision and targets with persistency and a long-term view.

**Sika Limited**

**Strategic Report - continued  
for the Year Ended 31 December 2022**

**Section 172 of the companies act 2006 - continued**


Sika is a subsidiary of Sika AG and forms part of the Sika group. The Group has a central Corporate board, area managers and regional managers. Several visits are carried out each year to local sites by the area and regional managers in order to discuss KPI's, deliver key engagement and future strategies. The Board of Directors at Sika consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to stakeholders and matters set out in S172 (1)(a-f) of the Act) in the decisions they have taken during the year ended 31 December 2022. In making this statement the Directors considered the longer-term consideration of stakeholders and the environment and have taken into account the following:

- a) The likely consequences of any decisions in the long term;
- b) The interests of the Company's employees;
- c) The need to foster the Company's business relationships with suppliers, customers and others;
- d) The impact of the Company's operations on the community and the environment;
- e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) The need to act fairly as between members of the Company.

Stakeholder engagement is a key part of our business practice. The company engages with key stakeholders in order to find out what material issues/ topics matter most to them about their performance in order to improve strategy, decision-making and accountability.

During the year the directors declared and paid dividend of £8,448,000 to its shareholders.

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

  
Daniel Lang (Doc 10, 2023 17:44 GMT+1)

D E Lang - Director

Date: 10.12.2023

Watchmead  
Welwyn Garden City  
Hertfordshire  
AL7 1BQ  
United Kingdom

## **Sika Limited**

### **Directors' Report for the Year Ended 31 December 2022**

The directors present their Directors' report on the affairs of Sika Limited ('the Company') for the year ended 31 December 2022.

Details of the principal activities, business review, financial risk management objectives and policies, principal risks and uncertainties and research and developments can be found in the Strategic Report on pages 2 to 4 and form part of this report by cross reference.

#### **Principal activity**

The principal activity of the Company in the year under review was that of manufacturing and selling of a wide range of state-of-the-art systems covering construction products, industrial manufacturing, automotive manufacturing and DIY product ranges.

#### **Results and dividends**

The profit/(loss) for the year, after taxation, amounted to £14,394,539 (2021 - £(10,726,629)). The directors declared and paid a dividend of £8,448,000 for year ending 31st December 2022 (2021 - £11,000,000).

#### **Political and charitable contributions**

During the year the Company made charitable donations of £nil (2021 - £nil).

#### **Directors**

The director who held office during the year and up to the date of signing of the financial statements was as follows:

D E Lang  
A C Gonzalez Lucas  
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.

#### **Going concern**

The company meets its day to day working capital requirements from operational cash flows along with cash pooling arrangements and trading balances with the group headed by Sika AG, the ultimate parent company. Under the terms of the cash pool arrangement the company is entitled to its cash as and when required with a credit limit of £180 million (increased significantly to £268 million from May 2023 to predominantly finance the acquisition of MBCC UK which took place in May 2023). The company has a balance due to the Sika AG of £174 million in the cash pool account as at 31 December 2022.

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the company will require significant additional funds, through funding from its ultimate parent company, Sika AG, to meet its liabilities as they fall due during 12 months from the date of approval of the financial statements. Under both the base and reasonably possible downside scenarios considered, the forecasts indicate that the company will remain within the cash pool limit of £268 million.

Sika AG has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Sika Limited**  
**Directors' Report - continued**  
**for the Year Ended 31 December 2022**

**Disabled employees**

The Company does all that is practicable to meet its responsibilities towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

**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.

**Post Balance Sheet Events**

Further to the legal integration of Everbuild into Sika Limited (Sika) and the application of the existing SAP ERP system to Everbuild's integrated trade, all trading activity within Everbuild was transferred to Sika with effect from 1 January 2023.

**Sale of Assets**

To enable the trading activity to commence as from 1 January 2023, the following assets were transferred to Sika during December 2022 as follows:

- Land and Buildings
- Fixed Assets
- Inventory

Further assets / liabilities were transferred to Sika post year end as follows:

- Assets under construction (AUC) – January 2023
- Prepayments – March 2023
- Accruals - March 2023

In May 2023, Sika Limited acquired MBCC Constriction chemicals Limited.

The newly acquired business offers construction solutions in waterproofing solutions, sealants, concrete repair & protection solutions, performance grouts, and performance flooring solutions.

The acquisition will help strengthen Sika's position within these target markets.



## Sika Limited

### Directors' Report - continued for the Year Ended 31 December 2022

#### SECR REPORT 2022

##### Background

Sika Limited manufactures products for the construction sector. Sika Limited sells 72,000 tonnes of products per year and employs more than 570 staff.

##### Report

		Scope	SIKA LTD Unit	2022	2021
A1	Gas (Heating and Process)	1	MWh	2,371	2,942
A2	Transport Fuel	1	MWh	2,975	5,335
A3	Electricity – of which:	2	MWh	3,845	3,991
	Standard Grid Sources			56	N/A
	100% Renewable Sources			3,789	N/A
A4	Other Energy Sources (Private vehicles & Hire Cars)	3	MWh		0
A5	Total		MWh	9,191	12,268

##### Report

B1	Emissions from combustion of gas tCO2e	1	tCO2e	433	542
B2	Emissions from combustion of fuel for transport purposes	1	tCO2e	659	1,144
B3	Emissions from purchased electricity	2	tCO2e	11	0
	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible (or purchasing the fuel)	3	tCO2e		
B5	Total gross CO2e based on above		tCO2e	1103	1,686
C1	Intensity ratio CO2e gross figure based from mandatory fields above/ eg. £100,000 revenue (mandatory)		tCO2e / tonne sold	0.015	0.018

##### Energy efficiency action taken

- Phase 3 of our LEV lighting upgrade was completed at all Sika's plants and offices.
- In September 2020, the group vehicle policy was updated to include substantially more electric and hybrid vehicles. By the end of 2022, 50 new electric and 14 hybrid vehicles were added to the fleet. Total is now 154 electric and 77 hybrid.
- Enhanced efficiency in production planning and other manufacturing procedures have resulted in incremental improvements per tonne of material produced throughout 2022.
- During 2022 we have demolished an old plant at Wishaw with two mixing facilities. We also refurbished the existing two mixers and replace two old 5T ribbon mixers with 2T ploughshare mixers. The new mixers are now meeting the production demand and are more efficient.

## Sika Limited

### Directors' Report - continued for the Year Ended 31 December 2022

#### Methodology used for carbon footprint calculation

A1	Source: Billing Data			
A2	Source of Business Miles Driven: "Web-Expenses" report Source of Vehicle Type: Fleet Information. Where Fleet data is not available, average data used from the UK Govt. Datasets. Source of kWh/mile: <a href="https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting">https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting</a> (Dataset only within 2020 sheet so used for both years)			
A3	Source: Billing Data			
A4	Source: Business Miles Driven in private car/hire car. "Web-Expenses" report Vehicle Type unknown. Assumed "Average" Car			
A5	Calculation			
B1	Natural Gas Conversion Factors 2022 & 2021 Source of Emissions Factors: <a href="https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting">https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting</a> Manufacturer's gCO <sub>2</sub> /km data used. Note UK Govt. Datasets FAQ states an uplift factor should be used but the uplift factor is not given Calculation gCO <sub>2</sub> /km * L60934 (to convert to miles) * miles driven.	kg CO <sub>2</sub> e/kWh	0.18254	0.18438
B3	Electricity Conversion Factors 2022 & 2021 Source of Emissions Factors: <a href="https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting">https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting</a>	kg CO <sub>2</sub> e/kWh	0.19338	0
	Electricity Sourced from 100% Renewable Sources CO <sub>2</sub> associated with use of private car / hire car for business purposes.	kg CO <sub>2</sub> e/kWh	0	0
B4	Vehicle types unknown. Assumed "Average Car"			
B5	Calculation 2022 & 2021			
C1	Intensity ratio: tCO <sub>2</sub> e gross figure based from mandatory fields above/tonnes sold (excluding intercompany sales)	Tonnes sold	72,540	95,596

**Sika Limited**  
**Directors' Report - continued**  
**for the Year Ended 31 December 2022**

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

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

**Reappointment of auditors**


Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office for 2023.

**Transfer of trade and assets**

All trading activity within Everbuild was transferred to Sika with effect from 1 January 2023 (as described in post balance sheets events note 26).

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

  
.....  
Daniel Lang (Oct 10, 2023 17:44 GMT+1)

D E Lang - Director

Date: 10.12.2023  
.....

Watchmead  
Welwyn Garden City  
Hertfordshire  
AL7 1BQ  
United Kingdom

**Sika Limited**

**Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements**

**for the Year Ended 31 December 2022**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 apply them consistently;
- make judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so;

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Independent auditor's report to the Members of  
Sika Limited - continued**

**Report on the audit of the financial statement**

**Opinion**

We have audited the financial statements of Sika Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of comprehensive income, Balance sheet, Statement of Changes in Equity and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

**Fraud and breaches of laws and regulations - ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud; and using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

## **Independent auditor's report to the Members of**

### **Sika Limited - continued**

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to support documentation. These included those posted to unusual account combinations.
- Testing a sample of revenue transactions to assess whether revenue has been recognized in the correct period.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection, environmental protection and anti-bribery law, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the Members of**

**Sika Limited - continued**

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

**Responsibilities of directors**

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.

*M Usman*

.....  
Muhammad Usman (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

Date. 11-12-23

**Sika Limited**

**Statement of Comprehensive Income  
for the Year Ended 31 December 2022**

	Notes	2022 £	2021 £
Turnover	4	175,629,186	175,660,022
Cost of sales		(103,948,225)	(102,827,690)
<b>Gross profit</b>		<b>71,680,961</b>	<b>72,832,332</b>
Distribution costs		(8,637,815)	(8,609,171)
Administrative expenses		(66,355,386)	(53,258,347)
Other operating income		-	7,130
Exceptional Expenses		4,784,052	-
<b>Operating Profit before Exceptional items</b>		<b>1,471,812</b>	<b>10,971,944</b>
<b>Operating profit/ (Loss)</b>		<b>(3,312,240)</b>	<b>10,971,944</b>
Income from other fixed asset investments	6	28,448,000	9,000,000
Finance costs	8	(5,600,780)	(4,062,857)
Impairment to Intangible Assets		(5,121,442)	(25,358,000)
<b>Profit/(Loss) before income tax</b>	9	<b>14,413,538</b>	<b>(9,448,913)</b>
Tax on profit/(loss)	10	(18,999)	(1,277,716)
<b>Profit/(Loss) for the year</b>		<b>14,394,539</b>	<b>(10,726,629)</b>
<b>Profit/(Loss) attributable to: Owners of the Company</b>		<b>14,394,539</b>	<b>(10,726,629)</b>

There are no items of comprehensive income other than the result for the year and therefore, no statement of comprehensive income is presented.

The accompanying notes form an integral part of the financial statements.

The above results were derived from continuing operations.

The notes form part of these financial statements



**Sika Limited**

**Notes to the Accounts  
Balance Sheet  
As at 31 December 2022**


	Notes	2022 £	2021 £
<b>Non-current assets</b>			
Intangible fixed assets	11	85,496,104	90,539,771
Tangible fixed assets	12	38,939,255	26,648,629
Fixed asset investments	13	59,110,115	59,110,115
		<u>183,545,474</u>	<u>176,298,515</u>
<b>Current assets</b>			
Stocks	14	28,707,604	15,660,988
Debtors	15	29,027,641	28,836,206
		<u>57,735,245</u>	<u>44,497,194</u>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	16	(46,922,144)	(33,753,429)
<b>Net current assets</b>		<u>10,813,101</u>	<u>10,743,765</u>
<b>Total assets less current liabilities</b>		<u>194,358,575</u>	<u>187,042,280</u>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	17	(169,743,643)	(169,719,425)
Provision for liabilities	18	(3,183,562)	(1,838,024)
<b>Net Assets</b>		<u>21,431,370</u>	<u>15,484,831</u>
<b>Equity</b>			
Called up share capital	20	3,000,000	3,000,000
Other reserves		2,307,563	2,307,563
Retained earnings		16,123,807	10,177,268
<b>Total equity</b>		<u>21,431,370</u>	<u>15,484,831</u>

The accompanying notes form an integral part of the financial statements.

The financial statements of Sika Limited (registration number: 00226822) were approved and authorised for issue by the Board of

Directors on 10.12.2023

They were signed on its behalf by:

  
Daniel Lang (Dec 10, 2023 17:44 GMT+1)  
D E Lang - Director

**Sika Limited**

**Notes to the Accounts  
Statement of Changes in Equity  
for the Year Ended 31 December 2022**

	Called up share capital £	Other Reserves £	Retained Earnings £	Total £
Balance at 1 January 2021	3,000,000	2,307,563	31,903,897	37,211,460
Total Comprehensive Income	-	-	(10,726,629)	(10,726,629)
Dividend	-	-	(11,000,000)	(11,000,000)
Balance at 31 December 2021	3,000,000	2,307,563	10,177,268	15,484,831
Total Comprehensive Income	-	-	14,394,539	14,394,539
Dividend Paid	-	-	(8,448,000)	(8,448,000)
Balance at 31 December 2022	3,000,000	2,307,563	16,123,807	21,431,370

The accompanying notes form an integral part of the financial statements.

Other reserves represent reserve at acquisition, revaluation reserve and other non-distributable reserve.

## **Sika Limited**

### **Notes to the Accounts**

#### **1. General information**

Sika Limited (the 'Company') is a private company limited by share capital incorporated in the United Kingdom and domiciled in England and Wales under the Companies Act 2006. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

#### **2. Adoption of new and revised standards**

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

#### **3. Accounting policies**

##### **Basis of accounting**

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

## **Sika Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2022**

#### **Exemption from preparing consolidated financial statements**

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and has applied the exemptions available under FRS 101 in respect of the following disclosures :

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital ;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking is included by full consolidation in the financial statements of Sika AG, a company registered in Switzerland.

#### **Going concern**

The company meets its day to day working capital requirements from operational cash flows along with cash pooling arrangements and trading balances with the group headed by Sika AG, the ultimate parent company. Under the terms of the cash pool arrangement the company is entitled to its cash as and when required with a credit limit of £180 million (increased significantly to £268 million from May 2023 to predominantly finance the acquisition of MBCC UK which took place in May 2023). The company has a balance due to the Sika AG of £174 million in the cash pool account as at 31 December 2022.

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the company will require significant additional funds, through funding from its ultimate parent company, Sika AG, to meet its liabilities as they fall due during 12 months from the date of approval of the financial statements. Under both the base and reasonably possible downside scenarios considered, the forecasts indicate that the company will remain within the cash pool limit of £268 million.

Sika AG has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

#### **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. For sale of goods, Revenue is recognised when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods.

**Goodwill**

Any impairment is recognized immediately as an expense in the Statement of Total Comprehensive Income.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**Computer software** - 3 to 20 years

### ***Derecognition of intangible assets***

### **Impairment of tangible and intangible assets**

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of the reporting period that the asset may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

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## **Sika Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2022**

the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

The company continues to evaluate tangible and intangible assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Judgements have remained consistent with prior periods. The recoverable amount is defined as the higher of fair value less costs to sell and value in use, which in turn is the present value of the future cash flows expected to be derived from the asset. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to assumptions and changes in assumptions. Notable changes in assumed revenue growth and the WACC discount rate are sensitive when modelling cash flows across the short-medium term planning horizon.

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	- 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **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 significant risk of change in value.

#### **Leases**

##### ***The Company as lessee***

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease payments included in the measurement of the lease liability comprise:

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement

**Sika Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**

date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified

## **Sika Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2022**

impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the administrative expenses line item.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against



## **Sika Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2022**

current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### ***Current tax and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### ***Foreign currencies***

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

#### ***Financial instruments***

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ***Financial assets***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### ***Classification of financial assets***

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022

- and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

*(i) Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period:

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item.

Notes to the Financial Statements – continued  
for the Year Ended 31 December 2022

*(ii) Debt instruments classified as at FVTOCI*

Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, impairment gains or losses and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these assets had been measured at amortised cost. All other changes in the carrying amount are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

*(iii) Equity instruments designated as at FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to the profit and loss account reserve.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'interest receivable and similar income' line item in profit or loss.

The Company has designated all investments in equity instruments as at FVTOCI on initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

*(iv) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

**Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022

date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due

## Sika Limited

### Notes to the Financial Statements - continued for the Year Ended 31 December 2022 amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

#### *(iv) Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *(v) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

#### *(v) Measurement and recognition of expected credit losses - continued*

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022  
financial asset in the balance sheet.

***Derecognition of financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to the profit and loss account reserve.

***Financial liabilities and equity Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

***Financial liabilities***

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in

## **Sika Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2022**

profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### ***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire fixed assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful

**Sika Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**  
lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management considers that their use of estimates, assumptions and judgements in the application of the Company's accounting policies are inter-related and therefore discuss them together below with the major sources of estimation uncertainty and significant judgements separately identified.

**Stock provision** – A provision is made for obsolete and slow moving stock. Obsolete stock are written down in full (generally expired goods) unless there is the possibility to extend shelf-life or repurpose the item, slow moving stock is provided for under the group policy.

**Standard costing** – Stock is valued at a standard cost this is based on the material cost and applicable applied overheads such as labour, machining time and manufacturing overheads applied. These overheads are tracked on a monthly basis and reviewed to ensure the rates applied remain accurate.

**Recoverability of trade debtors** – Trade debtors are reviewed regularly to ascertain whether a provision is required, regular meetings are held with credit control to provide updates on trade debtors outside of credit terms. Provision is created based on expected credit loss as explained in the financial instruments accounting policy above.

**Warranties** - Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

The Company continues to evaluate tangible and intangible assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As at 31 December 2022, the company has significant amount of goodwill, recognized on acquisition of Parex Ltd and has indefinite useful life. Management undertakes an impairment assessment annually and have therefore reviewed cash flows to determine if recoverable amounts exceed carrying value. The recoverable amount is defined as the higher of fair value less costs to sell and value in use, which in turn is the present value of the future cash flows expected to be derived from the respective cash generating unit. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to assumptions and changes in assumptions. One of the key judgements made within the Parex model is that it will increase business activity gradually over a four year period to reach growth levels consistent with those reported in 2018.



**Sika Limited****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022****4. Turnover**

The whole of the turnover is attributable to one principal continuing activity. Analysis of turnover by country of destination

	2022 £	2021 £
United Kingdom	156,763,463	156,858,400
Rest of Europe	13,997,304	16,095,218
Rest of World	4,868,419	2,706,404
	<u>175,629,186</u>	<u>175,660,022</u>

**5. Employees and directors**

The aggregate payroll costs (including director's remuneration) were as follows:

	2022 £	2021 £
Wages and salaries	30,172,752	29,186,118
Social security costs	3,770,706	3,614,964
Other pension costs	2,480,192	2,157,644
	<u>36,423,650</u>	<u>34,958,726</u>

The monthly average number of persons employed by the Company (including the director) during the year, analysed by category was as follows

	2022 No.	2021 No.
Production	159	149
Selling and marketing	318	285
Administration	90	78
	<u>567</u>	<u>512</u>

The directors did not provide specific services to the Company in the year. None of the directors received any remuneration from the Company in the year and in the prior year.

**6. Income from investments**

	2022 £	2021 £
Dividends received from investments in subsidiaries	28,448,000	9,000,000

**7. Auditors' remuneration**

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts.	88,023	57,144

**Silka Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**

**8. Finance Costs**

	2022 £	2021 £
Finance costs:		
Other loan Interest payable	5,600,780	4,062,857
	<hr/>	<hr/>
Net finance cost	5,600,780	4,062,857
	<hr/>	<hr/>

**9. Profit before income tax**

The profit before income tax is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible fixed asset	4,660,318	3,786,155
Amortisation of intangible assets	21,902	5,464
Exchange differences	332,174	333,785
Government grants (Furlough Claims)	-	(7,130)
Stock provision charge	496,990	348,688
Stock recognised as an expense in the period	99,786,352	100,889,234
Defined contribution pension cost	2,480,192	2,157,644
(Profit)/loss on disposal of fixed assets	(441)	(665)
	<hr/>	<hr/>

**Exceptional expense**

During the year, the company incurred an exceptional expense of £4.8 million due to integration and planning consultancy fees for the upcoming acquisition of MBCC Construction Chemicals Limited.

The Company discloses exceptional items separately in the Statement of Comprehensive Income. The presentation of information excluding exceptional items allows a better understanding of the underlying trading performance of the Company. Exceptional items are identified by virtue of either their size or nature so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance.

**Sika Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**

**10. Tax on profit or loss**

**Analysis of tax (income)/expense**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Current tax:		
Corporation tax	-	1,087,833
Adjustments in respect of previous periods	(31,030)	33,792
<b>Total current tax</b>	<b>(31,030)</b>	<b>1,121,625</b>
Deferred tax:		
Current year	(8,097)	16,724
Adjustment in respect of previous periods	32,807	(169,100)
Effect of changes in tax rates	25,319	308,467
<b>Total deferred tax</b>	<b>50,029</b>	<b>156,091</b>
<b>Total tax (income)/expense in statement of comprehensive income</b>	<b>18,999</b>	<b>1,277,716</b>

**Factors affecting the tax expense**

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) before income tax	14,413,538	(9,448,913)
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	2,738,572	(1,795,293)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	207,896	103,750
Adjustments to tax charge in respect of prior periods	1,777	(135,308)
Income not taxable	(5,405,120)	(1,710,000)
Effects of group relief/ other reliefs	1,498,666	(312,958)
Tax rate changes	4,134	308,467
Non qualifying asset	973,074	4,819,058
<b>Tax (income)/expense</b>	<b>18,999</b>	<b>1,277,716</b>

Finance Act 2021 which was Substantively Enacted on 24 May 2021 included provisions to increase the rate further to 25% effective from 1 April 2023. In valuing the deferred tax balances at the year-end a combination of 19% and 25% have been used based on the expected periods of reversals. This change is not expected to have material impact on the Company's deferred tax balances.

**Sika Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**

**11. Intangible assets**

	Computer Software £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2022	1,889,044	115,890,064	117,779,108
Additions	99,677	-	99,677
At 31 December 2022	1,988,721	115,890,064	117,878,785
<b>Impairment and Amortisation</b>			
At 1 January 2022	1,881,337	25,358,000	27,239,337
charge for the year	21,902	-	21,902
Impairment for the year	-	5,121,442	5,121,442
At 31 December 2022	1,903,239	30,479,442	32,382,681
<b>Net Book Value</b>			
At 31 December 2022	85,482	85,410,622	85,496,104
At 31 December 2021	7,707	90,532,064	90,539,771

Impairment in the year ended 31 December 2021 relates to the goodwill recognized on acquisition of Enewall Ltd. Due to thin margins, the cash forecast indicated that the business generated loss and accordingly the Enewall value can only be limited to its net assets.

During the year, the company prepared impairment models for the goodwill value which currently exists for the acquisition of Parex Ltd. In preparing the forecast, following key assumption were considered:

- Business activity will increase gradually over a four year period to reach growth levels consistent with those reported in 2018. The terminal growth rate considered was 3%.
- Nominal WACC rate of 8.5% was used to arrive at the discounted cash flow.

Based on the above, an impairment value of £5,121,442 has been recognised in goodwill as at 31 December 2022. Although the company are optimistic that the Parex business will grow as set out in the models, the impact of no growth could result in the goodwill value being fully impaired.

Management performed a sensitivity analysis by changing one key assumption and keeping all other variables constant. A percentage increase in WACC would lead to an additional impairment of £13.4 million. Similarly, a percentage reduction in revenue growth rate and terminal growth rate will have an additional impairment of £3.1 million and £10.7 million respectively.

**Sika Limited**

**Notes to the Financial Statements – continued  
for the Year Ended 31 December 2022**

**12. Tangible assets**

	Land & Buildings £	Fixtures & Fittings £	Plant & Machinery £
<b>Cost</b>			
At 1 January 2022	24,641,384	957,973	17,857,302
Additions	1,370,584	-	1,119,219
Transfer from Everbuild	6,257,318	-	4,646,524
Disposals	(1,331,815)	-	(836,169)
Reclassification/transfer	-	-	376,038
At 31 December 2022	<u>30,937,471</u>	<u>957,973</u>	<u>23,162,914</u>
<b>Depreciation</b>			
At 1 January 2022	7,644,595	945,510	11,723,781
charge for the year	1,475,193	8,746	1,383,085
Eliminated on Disposal	(2,059,692)	-	(836,169)
At 31 December 2022	<u>7,060,096</u>	<u>954,256</u>	<u>12,270,697</u>
<b>Net Book Value</b>			
At 31 December 2022	<u>23,877,375</u>	<u>3,717</u>	<u>10,892,217</u>
At 31 December 2021	<u>16,996,789</u>	<u>12,463</u>	<u>6,133,521</u>
	Computer Equipment & Motor Vehicles £	Constructiom In progress £	Total £
At 1 January 2022	6,346,398	759,791	50,562,848
Additions	1,930,396	1,075,545	5,495,744
Transfer from Everbuild	155,211	-	11,059,053
Disposals	(1,280,978)	(325,309)	(3,774,271)
Reclassification/transfer	8,564	(384,602)	-
At 31 December 2022	<u>7,159,591</u>	<u>1,125,425</u>	<u>63,343,374</u>
<b>Depreciation</b>			
At 1 January 2022	3,600,333	-	23,914,219
charge for the year	1,793,294	-	4,660,318
Eliminatd on Disposal	(1,274,557)	-	(4,170,418)
At 31 December 2022	<u>4,119,070</u>	<u>-</u>	<u>24,404,119</u>
<b>Net Book Value</b>			
At 31 December 2022	<u>3,040,521</u>	<u>1,125,425</u>	<u>38,939,255</u>
At 31 December 2021	<u>2,746,065</u>	<u>759,791</u>	<u>26,648,629</u>

Included in the figures above are right-of-use assets total costs £18,945,760 (2021: £19,399,002).

## Sika Limited

### Notes to the Financial Statements - continued for the Year Ended 31 December 2022

#### 12. Tangible assets (Contd)

Right of Use Assets	Land and buildings £'000	Plant and Machinery £'000	Fixtures & fittings £'000	Comp Equip & MV £'000	Total £'000
NBV					
At 31 December 2021	2,458,190	5,071,722	199,497	59,528	7,788,937
At 31 December 2022	2,525,570	12,237,113	24,654	4,580	14,791,917

#### 13. Investments

Cost	Shares in group undertakings £
At 1 January 2022	59,110,115
At 31 December 2022	59,110,115
Net Book Value	
At 1 January 2022	59,110,115
At 31 December 2022	59,110,115

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Reg.	Name	Class of shares	Holding	Principal activity
A	Everbuild Building Products Limited	Ordinary	100%	Manufacture, packaging of sealants, adhesives and building products
A	Axson UK Limited	Ordinary	100%	Dormant
B	Liquid Plastics Limited	Ordinary	100%	Dormant
A	Sarnafil Roof Assured Limited	Ordinary	90.25%	Dormant
A	Dry Mix Solutions Limited	Ordinary	100%	Holding company of Parex
A	Parex Ltd (*)	Ordinary	100%	Dormant
A	Enevis Group Limited (*)	Ordinary	100%	Holding company of Enewall
C	EIFS Limited	Ordinary	100%	Dormant - dissolved May 2021
D	Easipoint Marketing Limited (*)	Ordinary	100%	Dormant - dissolved May 2021
A	Enewall Limited (*)	Ordinary	100%	Dormant

(\*) The shares of these companies are held by Sika Limited and/ or its direct 100% subsidiaries.

#### Registered Addresses:

A: Watchmead, Welwyn Garden City, Herts, AL7 1BQ

B: Sika House, Miller Street, Preston, Lancashire, PR1 1EA

C: Abeles Way, Holly Lane Industrial Estate, Atherstone, Warwickshire, CV9 2QZ

D: Restoration House Drumhead Road, Chorley North Industrial Estate, Chorley, Lancashire, PR6 7DE

#### 14. Stocks

	2022 £	2021 £
Raw materials and consumables	7,951,101	4,685,905
Work-in-progress (goods to be sold)	643,746	345,206
Finished goods and goods for resale	20,112,757	10,629,877
	<u>28,707,604</u>	<u>15,660,988</u>

**Sika Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**

**15. Debtors**

	2022 £	2021 £
Trade debtors	23,480,759	23,763,513
Amounts owed by group undertakings	3,141,488	3,737,943
Other debtors	98,345	94,140
Prepayments	2,123,602	1,240,610
Prepaid Corporation Tax	183,447	-
	<u>29,027,641</u>	<u>28,836,206</u>

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

**16. Creditors: Amounts falling due within one year**

	2022 £	2021 £
Trade creditors	9,474,132	7,731,963
Amounts owed to group undertakings	25,398,770	12,236,522
Corporation Tax	-	384,682
Other taxation and social security	1,889,446	3,150,552
Accruals	7,074,945	7,925,403
Lease liabilities	3,084,851	2,324,307
	<u>46,922,144</u>	<u>33,753,429</u>

Amounts owed to group undertakings are at 2.43% p.a. interest rate, unsecured and repayable on demand.

**17. Creditors: Amounts falling due after more than one year**

	2022 £	2021 £
Amounts owed to group companies	157,000,001	157,000,000
Lease liabilities	12,743,642	12,719,424
	<u>169,743,643</u>	<u>169,719,424</u>

Amounts owed to group companies is an intercompany loan from the parent, there is no repayment date on the loan.

**18. Provisions**

	Provision for warranties £	Deferred tax liability £	Total £
At 1 January 2022	552,744	1,285,280	1,838,024
Additional for the year	18,994	1,326,544	1,345,538
At 31 December 2022	<u>571,738</u>	<u>2,611,824</u>	<u>3,183,562</u>

**Sika Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2022**

**19. Deferred tax**

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting year.

	Accelerated capital allowances £	Total £
At 1 January 2021	1,285,280	1,285,280
Adjustment in respect of prior years	32,807	32,807
Deferred tax charge to I/S for the period	17,221	17,221
Movement arising from transfer of trade	1,276,516	1,276,516
At 31 December 2022	2,611,824	2,611,824

**20. Called up share capital**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value: £1 each	2022 £	2021 £
3,000,000	Ordinary shares	£1 each	<u>3,000,000</u>	<u>3,000,000</u>

The retained earning represents cumulative profits or losses, net of dividends paid and other adjustments. Other reserves represent reserve at acquisition, revaluation reserve and other non-distributable reserve.

**21. Lease commitments**

**Lease liabilities**

	2022 £	2021 £
Analysed as:		
Non-Current	12,743,642	12,719,424
Current	3,084,851	2,324,307
	<u>15,828,493</u>	<u>15,043,731</u>
Year 1	3,084,851	2,324,307
Year 2-5	5,636,352	5,369,015
Year 6 and onwards	7,107,290	7,350,409
	<u>15,828,493</u>	<u>15,043,731</u>

**Amounts recognised in profit or loss**

Interest expenses of £607,703 (2021: £296,198) on lease liabilities for Right of use assets have been recognised in profit and loss, for which the company is a lessee.



## **Sika Limited**

### **Notes to the Financial Statements - continued for the Year Ended 31 December 2022**

#### **23. Commitments**

##### **Capital**

Amounts contracted for but not provided on the financial statements amounted to £529,366 (2021: £700,987)

##### **Pension**

The Company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. The total contributions outstanding by the Company at the year end amounted to £386,913 (2021 - £307,484).

#### **24. 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, exemption has been taken from disclosing transactions with related parties and information about key management personnel.

#### **25. Ultimate parent undertaking and controlling party**

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. Sika AG is the parent undertaking of the largest and smallest group, which includes the Company and for which group accounts are prepared.

#### **26. Post Balance Sheet Events**

Further to the legal integration of Everbuild into Sika Limited (Sika) and the application of the existing SAP ERP system to Everbuild's integrated trade, all trading activity within Everbuild was transferred to Sika with effect from 1 January 2023.

##### **Sale of Assets**

To enable the trading activity to commence as from 1 January 2023, the following assets were transferred to Sika during December 2022 as follows:

- Land and Buildings
- Fixed Assets
- Inventory

Further assets/ liabilities were transferred to Sika post year end as follows:

- Assets under construction (AUC) – January 2023
- Prepayments – March 2023
- Accruals – March 2023

In May 2023, Sika Limited acquired MBCC Constriction chemicals Limited.

The newly acquired business offers construction solutions in waterproofing solutions, sealants, concrete repair & protection solutions, performance grouts, and performance flooring solutions.

The acquisition will help strengthen Sika's position within these target markets.