Registered No: 226822

Sika Limited

Report and Financial Statements

31 December 2013

Registered No: 226822

Directors
P Schuler
J M P de Martres

Auditors
Ernst & Young LLP
400 Capability Green
Luton, Bedfordshire
LU1 3LU

Bankers
Citibank, N.A., London Branch
Citigroup Centre 2
25 Canada Square
London
E14 5LB

Registered office
Watchmead
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Strategic Report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The profit for the year, after taxation, amounted to £4,562,000 (2012: £7,022,000). The directors did not recommend payment of a dividend in 2013 (2012:£nil).

Principal activities

The company is engaged in the formulation, manufacture and marketing of speciality chemicals for construction and adhesives and sealants for industry.

Review of the business and future developments

2013 proved to be a much improved year in terms of sales growth and profitability. Sales grew satisfactorily in 2013 compared to the previous year taking into account the Liquid Plastics business. Gross profit increased too as sales grew by a larger factor than the associated cost of sales. The company's key financial and other performance indicators were as follows:

	2013 £000's	**2012** £000's	**Change** %
Turnover	119,584	114,031	4.8
Gross profit	40,812	38,099	7.1
Operating profit	7,755	4,776	62.3
Average number of employees	376	352	6.8

On 17 June 2013 the company invested in Everbuild Building Products Limited, a successful company in the Distributor sector.

Principal risks and uncertainties

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

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

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

On behalf of the board

JMP de Martres
Director
Date: 26 SEPTEMBER 2014

Directors' Report

Directors

The directors who served the company during the year were as follows:

P Schuler (appointed 6 November 2013)
H P de Brichambaut (resigned 5 March 2014)
J M P de Martres

Going concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in review of the business on page 2. The company has a broad customer base across both different geographic areas and industries and applications. As a consequence of this diversity the directors believe that the company has sufficient flexibility to manage its business risks successfully despite the current uncertain economic outlook.
The company is currently generating and is forecast to continue to generate positive cash flows on its own account for the foreseeable future. This positive position was strengthened in 2013 with the acquisition of Everbuild Building Products (Everbuild) business. Everbuild proposed a dividend of £12,000,000 post year end which was received in May 2014 that further strengthens cash flows.
The directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of Sika Limited to continue as a going concern or its ability to maintain the current loan facility and banking arrangements. The company is therefore considered to have adequate cash inflows or control over obtaining cash to meet its cash outflow requirements for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Research and development

The company's activities in research and development are principally concerned with the development of new products and the improvement of existing products.

Third party indemnities

The company has provided to all directors limited indemnities in respect of the cost of defending claims against them and third party liabilities. These are all third party indemnity provisions for the purpose of the Companies Act 2006 and are all currently in force.

Donations

Gifts for charitable purposes during the year amounted to £22,479 (2012: £28,023).

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

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.

Directors' Report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

JMP de Martres
Director
Date: 26 SEPTEMBER 2014

Registered Number: 226822

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors report
to the members of Sika Limited

We have audited the financial statements of Sika Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors report (continued)

to the members of Sika Limited

Matters on which we are required to report by exception

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

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

ERNST & YOUNG LLP

Chris Nobbs (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date 26 SEPTEMBER 2014

Profit and loss account
for the year ended 31 December 2013

	Notes	*2013* *£000*	*2012* *£000*
Turnover	2	119,584	114,031
Cost of sales		(78,772)	(75,932)
Gross profit		40,812	38,099
Net operating expenses		(33,369)	(33,717)
Other operating income		312	394
Operating profit	3	7,755	4,776
Investment income		-	4,224
Interest payable	6	(1,810)	(627)
Profit on ordinary activities before taxation		5,945	8,373
Tax on profit on ordinary activities	7	(1,383)	(1,351)
Profit for the financial year		4,562	7,022

Statement of total recognised gains and losses

There are no other recognised gains or losses for the year other than the profit of £4,562,000 (2012:£7,022,000), all of which are in respect of continuing operations.

Balance sheet
at 31 December 2013

	Notes	*2013* *£000*	*2012* *£000*
Fixed assets			
Intangible assets	8	1,780	2,003
Tangible assets	9	8,788	6,225
Investments	10	59,388	-
		69,956	8,228
Current assets			
Stocks	11	7,745	6,285
Debtors	12	21,066	21,024
Cash at bank		328	221
		29,139	27,530
Creditors: amounts falling due within one year	13	(16,897)	(16,631)
Net current assets		12,242	10,899
Total assets less current liabilities		82,198	19,127
Creditors: amounts falling due in more than one year	14	(66,039)	(7,226)
Provisions for liabilities	15	(435)	(739)
		15,724	11,162
Capital and reserves			
Called up share capital	17	3,000	3,000
Capital redemption reserve	18	2,308	2,308
Profit and loss account	18	10,416	5,854
Shareholders' funds	18	15,724	11,162

The financial statements were approved by the board of directors on 26 SEPTEMBER 2014 and signed on its behalf by:

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Mr JMP de Martres
Director

Notes to the financial statements
at 31 December 2013

1. Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards and in compliance with the Companies Act 2006.

The company is exempt from the requirement to prepare consolidated financial statements as the company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent which are publicly available. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Related parties transactions
The company has taken advantage of the exemption in FRS 8, para 3c not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

Goodwill
Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed assets
All fixed assets are initially recorded at cost.
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold building	-	over 4 to 25 years
Plant and machinery	-	over 5 to 10 years
Motor vehicles	-	over 4 years
Computer and office equipment	-	over 3 to 6 years

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

Stocks
Raw materials and finished goods are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price, less any further costs of realisation. Cost includes all expenditure incurred in the normal course of business in bringing stocks to their present location and condition, including, in the case of home produced finished goods, an appropriate proportion of manufacturing overheads.

Work-in-progress is valued at the lower of cost and net realisable value. Cost includes direct materials, labour and attributable overheads. Net realisable value is based on estimated selling price, less any further costs of realisation.

Notes to the financial statements
at 31 December 2013

1. Accounting policies (continued)

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that will result in an obligation to pay more, or right to pay less or to receive more, tax, in the future have occurred.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements
Rentals payable under operating leases are charged in the Profit and Loss Account on a straight-line basis over the lease term.

Pension costs
The company operates a defined contribution pension scheme. Contributions are charged in the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

Revenue recognition
Revenue is recognized to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, usually on dispatch of the goods.

Research and development
Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Provisions for liabilities
A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Notes to the financial statements
at 31 December 2013

2. Turnover
Turnover, which is stated net of value added tax, represents amounts invoiced to third parties for goods supplied and for services provided.

Turnover is attributable to one continuing activity, the formulation, manufacture and distribution of construction chemical products and adhesive products for general industry.

An analysis of turnover by geographical market is given below:

	2013	*2012*
	£000	*£000*
United Kingdom	108,583	105,147
Continental Europe and Ireland	8,033	6,929
Other	2,968	1,955
	119,584	114,031

3. Operating profit
This is stated after charging/(crediting):

		2013	*2012*
		£000	*£000*
Auditors' remuneration	- audit services	62	126
	- non-audit services (taxation)	107	71
		169	197
Depreciation of owned fixed assets		749	662
Amortisation of intangibles		223	-
Gain on disposal of fixed assets		-	39
Operating lease rentals	- plant and machinery	1,331	1,247
Foreign exchange loss/(gain)		68	(158)

Other operating income represents consultancy services provided.

Notes to the financial statements
at 31 December 2013

4. Staff costs

	2013	2012
	£000	£000
Wages and salaries	16,244	16,959
Social security costs	1,760	1,784
Pension costs	924	906
Health insurance	407	367
	19,335	20,016

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

	2013	2012
	No.	No.
Production staff	78	36
Selling and marketing staff	139	137
Administrative staff	159	179
	376	352

5. Directors' emoluments

The directors earned no fees or salaries from the company in 2013 (2012: nil).

All of the directors are remunerated by the parent company Sika AG or by a fellow subsidiary undertaking and their services to this company are of a non-executive nature. Their emoluments are deemed to be wholly attributable to their qualifying services to Sika AG, in the case of P Schuler and to Sika France in the case of H P de Brichambaut and J M P de Martres.

6. Interest payable

	2013	2012
	£000	£000
Group interest payable	1,810	627

7. Tax

(a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2013	2012
	£000	£000
Current tax:		
UK corporation tax	1,418	1,546
Adjustments in respect of prior years	(290)	(60)
Total current tax (note 7(b))	1,128	1,486
Deferred tax:		
Origination and reversal of timing differences	255	(127)
Effect of changes in tax rates on opening liability	-	(8)
Tax on profit on ordinary activities	1,383	1,351

Notes to the financial statements
at 31 December 2013

7. Tax (continued)

(b) Factors affecting current tax charge
The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012:24.5%). The differences are reconciled below:

	2013 *£000*	*2012* *£000*
Profit on ordinary activities before taxation	5,945	8,373
Profit on ordinary activities multiplied by standard rate of corporation tax of 23.25% (2012:24.5%).	1,382	2,051
Disallowed expenses and non-taxable income	7	(640)
Capital allowances in excess of depreciation	38	42
Other timing differences	(9)	93
Adjustments in respect of prior years	(290)	(60)
Total current tax (note 7(a))	1,128	1,486

(c) Deferred tax
Deferred tax assets recognised in the financial statements are as follows:

	Recognised	
	2013 *£000*	*2012* *£000*
Depreciation in excess of capital allowances	(118)	(15)
Other timing differences	243	395
	125	380

The movement in the deferred tax asset recognised in the financial statements is as follows:	£000
At 1 January 2013	380
Debit to the profit and loss account	255
At 31 December 2013	125

(d) Factors that may affect future tax charges
In his 2013 Budget Statement, the Chancellor of the Exchequer announced certain tax changes which have an effect on the company's future tax position. The proposals included a reduction in the corporation rate to 20% effective from 1 April 2015. This reduction is in addition to the proposed reduction to 21% effective from 1 April 2014. As at the balance sheet date, both of the announced reductions have been 'substantively enacted' and these are therefore reflected in the closing deferred tax balances.

The rate change would also impact the amount of future cash tax payments made by the company. The effect of the proposed changes to the UK tax system will be reflected in the financial statements of the company in future years, as appropriate, once the proposals have been substantively enacted.

Notes to the financial statements
at 31 December 2013

8. Intangible fixed assets

	Goodwill on Trocal	*Goodwill on Amorex*	*Goodwill on Liquid Plastics*	*Total*
Cost:	*£000*	*£000*	*£000*	*£000*
At 1 January 2013 and 31 December 2013	446	310	2,226	2,982
Amortisation:				
At 1 January 2013	446	310	223	979
Provided during the year	-	-	223	223
At 31 December 2013	446	310	446	1,202
Net book value:				
At 1 January 2013	-	-	2,003	2,003
At 31 December 2013	-	-	1,780	1,780

Goodwill is being amortised over 10 years which is the directors' assessment of its useful economic life.

9. Tangible fixed assets

	Freehold land and buildings	*Plant and machinery, computer and office equipment*	*Motor vehicles*	*Construction in progress*	*Total*
Cost:	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 January 2013	6,229	7,891	40	987	15,147
Additions	-	958	-	2,354	3,312
Reclassification	-	740	-	(740)	-
At 31 December 2013	6,229	9,589	40	2,601	18,459
Depreciation:					
At 1 January 2013	3,839	5,043	40	-	8,922
Provided during the year	78	671	-	-	749
At 31 December 2013	3,917	5,714	40	-	9,671
Net book value:					
At 1 January 2013	2,390	2,848	-	987	6,225
At 31 December 2013	2,312	3,875	-	2,601	8,788

Of the total amount of freehold land and buildings, £1,989,000 (2012 - £1,989,000) represents land not subject to depreciation.

Notes to the financial statements
at 31 December 2013

10. Investments

	Subsidiary undertakings	
	2013	*2012*
	£000	*£000*
Sika Contracts Limited	-	-
Sarnafil Roof Assured Limited	-	-
Liquid Plastics Limited	-	-
Everbuild Building Products Limited	59,388	-
	59,388	-

The company owns 100% of the ordinary share capital of Sika Contracts Limited and Liquid Plastics Limited which are dormant companies, registered in England and Wales. The company owns 90.25% of the ordinary share capital of Sarnafil Roof Assured Limited, which is a dormant company, registered in England and Wales.

On the 17 June 2013 the company acquired 100% of the ordinary share capital of Everbuild Building Products Limited (Everbuild) for £59m. Everbuild is a successful company in the Distributor sector and is registered in England and Wales. The acquisition was funded by a loan from Sika Finanz AG, a sister company.

11. Stocks

	2013	*2012*
	£000	*£000*
Raw materials	1,313	1,021
Finished goods	6,432	5,264
	7,745	6,285

In the opinion of the directors the difference between the carrying value of stock and its replacement cost is not material.

12. Debtors

	2013	*2012*
	£000	*£000*
Trade debtors	18,358	18,350
Amounts owed by group undertakings	1,826	1,468
Prepayments and accrued income	757	826
Deferred taxation (note 7)	125	380
	21,066	21,024

13. Creditors: amounts falling due within one year

	2013	*2012*
	£000	*£000*
Trade creditors	5,380	4,858
Amounts owed to group undertakings	4,759	4,372
Corporation tax	207	1,002
Other taxation and social security	2,156	3,609
Accruals and deferred income	4,395	2,790
	16,897	16,631

Notes to the financial statements
at 31 December 2013

14. Creditors: amounts falling due in more than one year

	2013 £000	2012 £000
Loan due to group undertaking	66,039	7,226

15. Provisions for liabilities

	Product guarantee provision £000
At 1 January 2013	739
Net impact in the profit and loss account	(304)
At 31 December 2013	435

These represent provisions made for contractual product guarantee warranties.

16. Commitments under operating leases

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below.

	2013		2012	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	123	-	66
In two to five years	343	783	614	1,234
In over 5 years	279	-	-	-
	622	906	614	1,300

17. Share capital

	Allotted, called up and fully paid			
		2013		2012
	No.	£000	No.	£000
Ordinary shares of £1 each	3,000,000	3,000	3,000,000	3,000

Notes to the financial statements

at 31 December 2013

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital *£000*	*Capital redemption reserve* *£000*	*Profit and loss account* *£000*	*Total share-holders' funds* *£000*
At 1 January 2012	3,000	2,308	(1,168)	4,140
Profit for the year	-	-	7,022	7,022
At 1 January 2013	3,000	2,308	5,854	11,162
Profit for the year	-	-	4,562	4,562
At 31 December 2013	3,000	2,308	10,416	15,724

19. Pension commitments

The company operates a money purchase scheme for the benefit of the directors and employees. The assets of the scheme are administered by the trustees in a fund independent from those of the company. As at 31 December 2013 outstanding contributions to this scheme amounted to £75,782 (2012: £81,864).

20. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and controlling party is Sika AG, which is incorporated in Switzerland and is also the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements can be obtained from Zugerstrasse 50, CH-6341 Baar, Switzerland.