Registered No: 226822

Sika Limited

Report and Financial Statements

31 December 2009

Registered No 226822

Directors

A Bleibler
C Ganz
R F Traechsel
Sika AG
H P De Brichambaut

Secretary

S Hales

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Bankers

HSBC Bank PLC
Howardsgate
Welwyn Garden City
Hertfordshire
AL8 6BH

Registered office

Watchmead
Welwyn Garden City
Hertfordshire
AL7 1BQ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

Results and dividends

The loss for the year, after taxation, amounted to £1,005,000 (2008 loss £837,000) The directors did not recommend payment of a dividend in 2009 (2008 £900,000)

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

The economic downturn in particular within the Construction industry continued, as predicted, in 2009 resulting in a further decline in overall turnover for the year Although the overall trend for 2009 was in many ways similar to that of 2008 sales of products in the flooring sector were the notable exception where significant expansion took place

In early January 2010 Sika Limited concluded the purchase of the trade and net assets of Sarnafil Limited, a fellow group undertaking incorporated in the United Kingdom, enhancing its position in the roofing sector This purchase is expected to add approximately £29m to turnover in 2010 and will contribute significantly to the continuing viability of Sika Limited in the current difficult market conditions

As a result of the pressure on selling prices gross margin declined to 28 5% from 30 2% in 2008, the effect being mitigated by strong purchasing controls Net operating expenses were 30 5% of sales in 2009 as against 31 2% the previous year reflecting the strong management focus on control of overhead costs which will continue into 2010 Headcount reduced to 166 from 173 in this period

Principal risks and uncertainties

The continuing effects of the current economic cyclical downturn 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 whilst prices of raw materials appear to have stabilised somewhat during the year Staff cost have declined in the year due to the headcount reduction programme

The company consistently reviews its financial risk management and the directors believe that the company has minimal exposure to price, liquidity or cash flow risk Credit risk is managed through the setting of credit limits and close control of overdue balances

Going concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review 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

Directors' report

Going concern (continued)

The company is expected to generate positive cash flows on its own account for the foreseeable future based on forecast activity levels 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

Directors

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

A Bleibler
C Ganz
R F Traechsel
Sika AG
H P De Brichambaut (appointed 16 February 2009)
J L Vasquez Ares (resigned 16 February 2009)

Donations

Gifts for charitable purposes during the year amounted to £5,996 (2008 £6,072)

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

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.

Directors' report

Auditors

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

By order of the board

S Hales
Secretary

22/9/10

Registered Number: 226822

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with 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 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23 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 auditors

As explained more fully in the Directors' Responsibilities Statement 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 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 (APB'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

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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Independent auditors' report
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

Fraser Bull (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date 22 September 2010

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	2	45,055	49,072
Cost of sales		32,202	34,253
Gross profit		12,853	14,819
Net operating expenses	3	13,737	15,321
Operating loss	4	(884)	(502)
Bank interest receivable		1	40
Interest payable	7	(416)	(546)
Loss on ordinary activities before taxation		(1,299)	(1,008)
Tax on loss on ordinary activities	8	294	171
Loss for the financial year		(1,005)	(837)

Statement of total recognised gains and losses

There are no other recognised gains or losses for the year other than the loss of £1,005,000 (2008 loss £837,000), all of which are in respect of continuing operations

Balance sheet
at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	3,934	4,017
Investments	12	-	-
		3,934	4,017
Current assets			
Stocks	13	4,706	4,551
Debtors	14	9,164	9,596
Cash at bank		453	546
		14,323	14,693
Creditors: amounts falling due within one year	15	6,495	6,894
Net current assets		7,828	7,799
Total assets less current liabilities		11,762	11,816
Creditors: amounts falling due in more than one year	16	8,123	7,162
Provisions for liabilities	17	299	309
		3,340	4,345
Capital and reserves			
Called up share capital	19	3,000	3,000
Capital redemption reserve	20	2,308	2,308
Profit and loss account	20	(1,968)	(963)
Shareholders' funds	20	3,340	4,345

The financial statements were approved by the board of directors on 22/9/10 and signed on its behalf by

Mr H P De Brichambaut
Director

Notes to the financial statements
at 31 December 2009

1. Accounting policies

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

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 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
Since the company is a wholly owned subsidiary no disclosure is made of transactions with other members of the group, in accordance with the Financial Reporting Standard 8, Related Party Disclosures

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 company 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 property	-	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 2009

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 2009

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

	2009	*2008*
	£000	*£000*
United Kingdom	41,207	44,871
Continental Europe and Ireland	3,357	4,148
Other	491	53
	45,055	49,072

3. Analysis of net operating expenses

	2009	*2008*
	£000	*£000*
Selling and marketing	10,211	11,770
Administrative expenses	3,526	3,551
Net operating expenses	13,737	15,321

4. Operating loss

This is stated after charging/(crediting)

	2009	*2008*
	£000	*£000*
Auditors' remuneration - audit services	28	28
- non-audit services (taxation)	15	21
	43	49
Depreciation of owned fixed assets	368	446
Loss on disposal of fixed assets	47	41
Rental income	-	(38)
Operating lease rentals - plant and machinery	412	427
Foreign exchange difference	10	378

Notes to the financial statements
at 31 December 2009

5. Staff costs

	2009 £000	2008 £000
Wages and salaries	5,443	6,676
Social security costs	729	723
Pension costs	441	481
Health insurance	216	208
	6,829	8,088

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

	2009 No	2008 No
Production staff	41	46
Selling and marketing staff	99	103
Administrative staff	26	24
	166	173

6. Directors' emoluments

	2009 £000	2008 £000
Emoluments	-	77
	-	77
Value of company pension contributions to money purchase schemes	-	23

7. Interest payable

	2009 £000	2008 £000
Group interest payable	416	546

Notes to the financial statements
at 31 December 2009

8. Tax

(a) Tax on loss on ordinary activities
The tax charge/(credit) is made up as follows

	2009 £000	2008 £000
Current tax		
UK corporation tax	-	(130)
Group relief recoverable	(166)	-
Adjustments in respect of prior years	91	(42)
Total current tax (note 8(b))	(75)	(172)
Deferred tax		
Origination and reversal of timing differences	(219)	97
Adjustments in respect of prior years	-	(96)
Tax on loss on ordinary activities	(294)	(171)

(b) Factors affecting current tax charge
The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28% (2008 28 5%) The differences are reconciled below

	2009 £000	2008 £000
Loss on ordinary activities before taxation	(1,299)	(1,008)
Loss on ordinary activities multiplied by standard rate of corporation tax of 28% (2008 28 5%)	(364)	(287)
Disallowed expenses and non-taxable income	91	108
Capital allowances in excess of depreciation	21	2
Other timing differences	(40)	47
Unrecognised deferred tax in respect of current year losses	126	-
Adjustments in respect of prior years	91	(42)
Total current tax (note 8(a))	(75)	(172)

(c) Deferred tax
Deferred tax assets recognised and not recognised in the financial statements are as follows

	Recognised		*Not recognised*	
	2009 £000	*2008 £000*	*2009 £000*	*2008 £000*
Depreciation in excess of capital allowances	(52)	-	-	(79)
Other timing differences	271	-	-	251
Unrecognised deferred tax in respect of current year losses	-	-	126	-
	219	-	126	172

The movement in the deferred tax asset recognised in the financial statements is as follows	*£000*
At 1 January 2009	-
Credit to the profit and loss account	219
At 31 December 2009	219

Notes to the financial statements
at 31 December 2009

9. Dividends

	2009 £000	2008 £000
Dividends on ordinary shares		
Interim dividends (2008 30p per share)	-	900

10. Intangible fixed assets

	Goodwill on Trocal £000	Goodwill on Armorex £000	Total £000
Cost			
At 1 January 2009 and 31 December 2009	446	310	756
Amortisation:			
At 1 January 2009 and 31 December 2009	446	310	756
Net book value			
At 1 January 2009 and 31 December 2009	-	-	-

11. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Computer and office equipment £000	Total £000
Cost					
At 1 January 2009	6,481	5,836	236	1,963	14,516
Additions	18	136	-	165	319
Disposals	-	(2,480)	(138)	(861)	(3,479)
Reclassifications	(473)	(321)	-	794	-
At 31 December 2009	6,026	3,171	98	2,061	11,356
Depreciation					
At 1 January 2009	3,684	4,938	182	1,695	10,499
Provided during the year	131	204	19	14	368
Disposals	-	(2,451)	(138)	(856)	(3,445)
Reclassifications	(386)	(212)	-	598	-
At 31 December 2009	3,429	2,479	63	1,451	7,422
Net book value:					
At 31 December 2009	2,597	692	35	610	3,934
At 1 January 2009	2,797	898	54	268	4,017

Notes to the financial statements
at 31 December 2009

12. Investments

	2009	2008
	£	£
Sika Contracts Limited	2	2

The company owns 100% of the ordinary share capital of Sika Contracts Limited, which is a dormant company, registered in England and Wales

13. Stocks

	2009	2008
	£000	£000
Raw materials	732	815
Finished goods	3,974	3,736
	4,706	4,551

14. Debtors

	2009	2008
	£000	£000
Trade debtors	7,450	7,916
Amounts owed by group undertakings	1,121	881
Prepayments and accrued income	163	536
Deferred taxation (note 8)	219	-
Corporation tax	211	263
	9,164	9,596

15. Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	2,776	2,300
Amounts owed to group undertakings	1,837	2,496
Other taxation and social security	398	727
Accruals and deferred income	1,484	1,371
	6,495	6,894

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

	2009	2008
	£000	£000
Loan due to group undertaking	8,123	7,162

Notes to the financial statements
at 31 December 2009

17. Provisions for liabilities

	Product guarantee provision £000
At 1 January 2009	309
Net impact in the profit and loss account	(10)
At 31 December 2009	299

These represent provisions made for contractual product guarantee warranties

18. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

		2009		*2008*
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*
Operating leases which expire				
Within one year	-	60	-	98
In two to five years	-	244	-	294
	-	304	-	392

19. Share capital

	Allotted, called up and fully paid			
		2009		*2008*
	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 2009

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Capital redemption reserve*	*Profit and loss account*	*Total share-holders' funds*
	£000	*£000*	*£000*	*£000*
At 1 January 2008	3,000	2,308	774	6,082
Loss for the year	-	-	(837)	(837)
Dividend paid	-	-	(900)	(900)
At 1 January 2009	3,000	2,308	(963)	4,345
Loss for the year	-	-	(1,005)	(1,005)
At 31 December 2009	3,000	2,308	(1,968)	3,340

21. 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 2009 outstanding contributions to this scheme amounted to £30,812 (2008 £33,689)

22. 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

23. Post balance sheet events
In January 2010, the company concluded the purchase of the trade and net assets of Sarnafil Limited, a fellow group undertaking incorporated in the United Kingdom This is expected to enhance the company's position in the roofing sector