

Registered No 226822

Sika Limited

Report and Financial Statements

31 December 2006

SATURDAY



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COMPANIES HOUSE

Sika Limited

Registered No 226822

Directors

B Baggersgaard - Chairman
R Farmer
P Laeng
J L Vazquez
M Zenhausern
Sika AG

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 2006

Results and dividends

The profit for the year, after taxation amounted to £685,000 (2005 £815,000) Ordinary dividends of £800,000 (2005 £nil) were paid during the year

Principal activities and review of the business

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

The company is now organised into four Business Units according to the overall Sika Group policy on organisational development

The Construction Business Unit grew above the general market trend, which during the year slowed sharply, particularly in the area of repair and maintenance This is a key area of focus for the company and therefore did have an impact on some parts of the business

The industrial side of the business grew substantially, in spite of the significant retrenchment of the UK car industry during the year

Inflationary pressures from raw materials, energy and increasing transport costs also affected results as price increases did not fully recover the situation in the year It is expected that this will be rectified in 2007

Turnover increased by 8.4% in the year, largely due to volume movements, as the market resisted significant price increases This was offset by increases in cost of sales and net operating expenses of 9.8% and 8.6% respectively Staff costs increased by 9.4% despite a fall in headcount of 3.0% Net interest payable was slightly lower than the prior year The overall effect of these changes was a reduction in profit before tax of 17%

Principal risks and uncertainties

The effects of swings in the economy are minimised as much as possible because the company's core businesses are positioned to service not only new projects but also their repair and maintenance needs

Increases in the price of raw materials and energy are inevitably impacting profitability and it remains difficult to assess the financial effect on 2007

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

Future developments

The closure of the Lavenham operation and the transfer of this to Welwyn Garden City will be completed during 2007 with consequential production efficiencies achieved In addition, system and operational changes resulting from the transfer to a new third party logistics provider late in 2006 will soon be in place

Directors and their interests

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

B Baggersgaard

D L Bratt (resigned 5 June 2007)

R Farmer

P Laeng

J L Vazquez

M Zenhausern (appointed 1 January 2007)

Sika AG (appointed 1 January 2007)

Directors' Report

There are no directors' interests requiring disclosure under the Companies Act 1985

Fixed assets

Movements in fixed assets are shown in note 11 to the accounts. The freehold property was revalued at 31 December 1997. The valuation of £6,367,000 which is £3,325,230 higher than book value has not been incorporated in these accounts.

Donations

Gifts for charitable purposes during the year amounted to £1,494.

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 group'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 and the group 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 group's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself 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.

By order of the board



Secretary

3rd October 2007

Statement of directors' responsibilities in respect of the financial statements

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 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)

The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

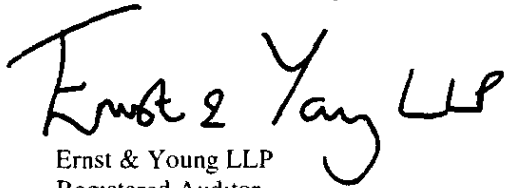
Independent auditors' report

to the members of Sika Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
Luton

16 October 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	41 253	38,055
Cost of sales	3	(26 325)	(23,971)
Gross profit		14,928	14 084
Net operating expenses	3	13 594	12 513
Operating profit	4	1,334	1 571
Bank interest receivable		24	26
Interest payable	7	(296)	(317)
Profit on ordinary activities before taxation		1,062	1,280
Tax on profit on ordinary activities	8	377	465
Profit retained for the financial year		685	815

Statement of total recognised gains and losses

There are no other recognised gains or losses for the year other than the profit of £685,000 (2005 profit £815,000), all of which are in respect of continuing operations

Balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	4,091	4,362
Investments	12	-	-
		<u>4,091</u>	<u>4,362</u>
Current assets			
Stocks	13	3,290	2,893
Debtors	14	7,673	7,313
Cash at bank		1,736	627
		<u>12,699</u>	<u>10,833</u>
Creditors: amounts falling due within one year	15	6,115	5,643
Net current assets		<u>6,584</u>	<u>5,190</u>
Total assets less current liabilities		<u>10,675</u>	<u>9,552</u>
Creditors: amounts falling due in more than one year	16	4,151	3,164
Provisions for liabilities and charges	17	575	324
		<u>5,949</u>	<u>6,064</u>
Capital and reserves			
Called up share capital	19	3,000	3,000
Capital redemption reserve fund	20	2,308	2,308
Profit and loss account	20	641	756
Equity shareholders' funds	20	<u>5,949</u>	<u>6,064</u>


R Farmer
Director

3RD OCTOBER 2007

Notes to the financial statements

at 31 December 2006

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 under section 228 of the Companies Act 1985 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

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 & 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 of 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 2006

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 have occurred at that date that will result in an obligation to pay more or right to pay less or to receive more tax with the following exceptions

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

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 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

Notes to the financial statements

at 31 December 2006

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

	2006 £000	2005 £000
United Kingdom	37,720	34,701
Continental Europe and Ireland	3,433	3,217
Other	100	137
	<u>41,253</u>	<u>38,055</u>

3. Analysis of cost of sales and net operating expenses

	2006 £000	2005 £000
Cost of sales	<u>26,325</u>	<u>23,971</u>
Selling and marketing	10,017	9,327
Administrative expenses	3,577	3,186
Net operating expenses	<u>13,594</u>	<u>12,513</u>

4. Operating profit

This is stated after charging/(crediting)

	2006 £000	2005 £000
Auditors' remuneration - Audit services	18	26
- Non-audit services	15	6
	<u>33</u>	<u>32</u>
Depreciation of owned fixed assets	<u>543</u>	<u>487</u>
Rental income	(51)	(51)
Amortisation of goodwill	-	149
Impairment of goodwill	-	64
Operating lease rentals - Land and buildings	165	145
- Plant and machinery	118	93
	<u></u>	<u></u>

Notes to the financial statements

at 31 December 2006

5. Staff costs

	2006 £000	2005 £000
Wages and salaries	6 161	5,687
Social security costs	631	607
Pension costs	453	369
Other costs	295	227
	<u>7,540</u>	<u>6,890</u>

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

	2006 No	2005 No
Production staff	40	39
Selling and marketing staff	101	105
Administrative staff	18	20
	<u>159</u>	<u>164</u>

6. Directors' emoluments

	2006 £000	2005 £000
Emoluments	<u>277</u>	<u>266</u>
Value of company pension contributions to money purchase schemes	<u>18</u>	<u>18</u>

Retirement benefits are accruing to two directors under the money purchase arrangements (2005 2)

The amounts in respect of the highest paid director are as follows

	2006 £000	2005 £000
Emoluments	<u>162</u>	<u>165</u>
Value of company pension contributions to money purchase schemes	<u>10</u>	<u>10</u>

7. Interest payable

	2006 £000	2005 £000
Group interest payable	<u>296</u>	<u>317</u>

Notes to the financial statements

at 31 December 2006

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2006 £000	2005 £000
<i>Current tax</i>		
UK corporation tax	495	511
Adjustments in respect of prior periods	(10)	–
Total current tax (note 8(b))	485	511
<i>Deferred tax</i>		
Origination and reversal of timing differences	(108)	(46)
Tax on profit on ordinary activities	377	465

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are reconciled below

	2006 £000	2005 £000
Profit on ordinary activities before taxation	1,062	1,280
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2005 30%)	319	384
Disallowed expenses and non-taxable income	87	146
Capital allowances in excess of depreciation	15	(13)
Other timing differences	74	(6)
Adjustments in respect of prior periods	(10)	–
Total current tax (note 8(a))	485	511

(c) Deferred tax

	2006 £000	2005 £000
Depreciation in excess of capital allowances	(55)	(66)
Other timing differences	231	134
	176	68

At 1 January 2006	68
Profit and loss account movement arising during the year	108
At 31 December 2006	176

Notes to the financial statements

at 31 December 2006

9. Dividends

	2006 £000	2005 £000
Equity dividends on ordinary shares		
Interim dividends of 26 7p per share (2005 £nil per share)	<u>800</u>	<u>-</u>

10. Intangible fixed assets

	Goodwill on Trocal £000	Goodwill on Armorex £000	Total £000
Cost			
At 1 January 2006 and 31 December 2006	<u>446</u>	<u>310</u>	<u>756</u>
Amortisation			
At 1 January 2006 and 31 December 2006	<u>446</u>	<u>310</u>	<u>756</u>
Net book value			
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>

11. Tangible fixed assets

	Freehold Property £000	Plant & Machinery £000	Motor Vehicles £000	Computer & Office Equipment £000	Total £000
Cost					
At 1 January 2006	6,447	5,284	209	1,685	13,625
Additions	25	157	17	73	272
Disposals	-	-	-	-	-
At 31 December 2006	<u>6,472</u>	<u>5,441</u>	<u>226</u>	<u>1,758</u>	<u>13,897</u>
Depreciation					
At 1 January 2006	3,307	4,430	174	1,352	9,263
Provided during the year	128	276	14	125	543
Disposals	-	-	-	-	-
At 31 December 2006	<u>3,435</u>	<u>4,706</u>	<u>188</u>	<u>1,477</u>	<u>9,806</u>
Net book value					
At 31 December 2006	<u>3,037</u>	<u>735</u>	<u>38</u>	<u>281</u>	<u>4,091</u>
At 31 December 2005	<u>3,140</u>	<u>854</u>	<u>35</u>	<u>333</u>	<u>4,362</u>

Notes to the financial statements

at 31 December 2006

12. Investments

	2006	2005
	£	£
Armorex Limited	1	1
Armorex Prima Limited	1	1
Armorex (Holdings) Limited	1	1
Sika Contracts Limited	2	2
Sika Technology Limited	2	2
	<u>7</u>	<u>7</u>

The company owns 100% of the ordinary share capital of the above companies, which are dormant companies with no assets or liabilities, registered in England and Wales

13. Stocks

	2006	2005
	£000	£000
Raw materials	522	511
Work in progress	21	76
Finished goods	2,747	2,306
	<u>3,290</u>	<u>2,893</u>

14 Debtors

	2006	2005
	£000	£000
Trade debtors	6,614	6,504
Amounts owed by group undertakings	573	373
Prepayments and accrued income	310	368
Deferred taxation (Note 8)	176	68
	<u>7,673</u>	<u>7,313</u>

Included in prepayments and accrued income is £Nil which is due after more than one year (2005: £16,000)

15. Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	1,723	1,980
Amounts owed to group undertakings	1,910	2,055
Corporation tax	261	166
Other taxation and social security	924	794
Accruals and deferred income	1,297	648
	<u>6,115</u>	<u>5,643</u>

Notes to the financial statements

at 31 December 2006

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

	2006 £000	2005 £000
Loan from group undertaking	<u>4,151</u>	<u>3,164</u>

17. Provisions for liabilities and charges

	<i>Product Guarantee Provision £000</i>
At 1 January 2006	324
Arising during the year	269
Utilised	(18)
At 31 December 2006	<u>575</u>

18. Commitments under operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Operating leases which expire				
Within one year	59	145	138	78
In two to five years	-	419	-	313
After 5 years	-	-	-	-
	<u>59</u>	<u>564</u>	<u>138</u>	<u>391</u>

19. Share capital

	<i>Authorised 2006 £000</i>		<i>Authorised 2005 £000</i>	
Ordinary shares of £1 each		10,000		10,000
	<i>Allotted, called up and fully paid</i>			
	<i>No £000</i>	<i>2006 £000</i>	<i>No £000</i>	<i>2005 £000</i>
Ordinary shares of £1 each	3,000,000	<u>3,000</u>	3,000,000	<u>3,000</u>

Notes to the financial statements

at 31 December 2006

20. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £000	<i>Capital redemption reserve</i> £000	<i>Profit and loss account</i> £000	<i>Total share- holders' funds</i> £000
At 1 January 2005	3,000	2 308	(59)	5,249
Profit for the year	-	-	815	815
At 31 December 2005	3,000	2,308	756	6,064
Profit for the year	-	-	685	685
Dividend	-	-	(800)	(800)
At 31 December 2006	3,000	2,308	641	5,949

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.

22. Ultimate parent company

The ultimate parent company 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 accounts are drawn up. Copies of the group accounts can be obtained from Zugerstrasse 50, CH-6341 Baar, Switzerland.