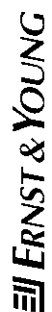


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SIKA LIMITED

Report and Accounts

31 December 2001

 ERNST & YOUNG



Sika Limited

Registered no. 226822

DIRECTORS

B Baggersgaard
R Farmer
P Laeng
D L Bratt
A Ovens

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 accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £326,421 (2000: £1,631,120). The directors have paid interim dividends amounting to £720,000 (2000: £1,800,000). The directors do not recommend the payment of a final dividend leaving a loss of £393,579 (2000: £168,880), which has been deducted from retained profits.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company is principally engaged in the formulation, manufacture and marketing of speciality chemicals for the construction industry and adhesive sealants for the automotive and marine industries.

During the year the company concluded the acquisition of the Trocal Waterproofing Division of HT (U.K.) Limited and merged this operation with its own.

Growth continued in most markets though margins have been under pressure in some sectors.

The company has continued investing in its technical resources in support of existing and new products.

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.

FIXED ASSETS

Movements in fixed assets are shown in note 8 to the accounts. The freehold property was revalued at 31 December 1997. The valuation of £6,367,000, which is £2,599,179 higher than book value, has not been incorporated in these accounts.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Gifts for charitable purposes during the year amounted to £4,784.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2001, none of whom held an interest in the company's shares during the year, were:

B Baggersgaard
R Farmer
P Laeng

In addition D L Bratt and A Ovens were appointed as directors on 1 January 2002.

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the board



Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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 accounts for the year ended 31 December 2001, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 20. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Luton

25 January 2002.

Sika Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 £	2000 £
TURNOVER			
Continuing operations:			
Ongoing		21,178,094	20,733,776
Acquisitions		1,327,600	—
		<hr/>	<hr/>
	2	22,505,694	20,733,776
Cost of sales		12,346,772	10,510,844
		<hr/>	<hr/>
GROSS PROFIT		10,158,922	10,222,932
		<hr/>	<hr/>
Selling and distribution costs		7,526,679	6,240,433
Administrative expenses		2,283,099	1,798,682
Other operating income - foreign exchange gains		(120,349)	(99,888)
		<hr/>	<hr/>
		9,689,429	7,939,227
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)			
Continuing operations:			
Ongoing		970,614	2,283,705
Acquisitions		(501,121)	—
		<hr/>	<hr/>
	4	469,493	2,283,705
Interest receivable and similar income		66,945	105,215
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		536,438	2,388,920
Tax on profit on ordinary activities	7	210,017	757,800
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		326,421	1,631,120
Dividends	8	720,000	1,800,000
		<hr/>	<hr/>
DEDUCTED FROM RETAINED PROFITS		(393,579)	(168,880)
		<hr/>	<hr/>

There are no recognised gains or losses other than the profit for the financial year.

Sika Limited

BALANCE SHEET

at 31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible assets	9	356,770	—
Tangible assets	10	4,096,542	4,144,308
Investments	11	4	4
		<u>4,453,316</u>	<u>4,144,312</u>
CURRENT ASSETS			
Stocks	12	2,190,255	1,725,850
Debtors	13	4,960,841	4,371,277
Cash at bank and in hand		514,529	1,840,330
		<u>7,665,625</u>	<u>7,937,457</u>
CREDITORS: amounts falling due within one year	14	2,593,146	2,478,855
NET CURRENT ASSETS		<u>5,072,479</u>	<u>5,458,602</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,525,795</u>	<u>9,602,914</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	414,460	98,000
		<u>9,111,335</u>	<u>9,504,914</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000,000	6,000,000
Profit and loss account	17	3,111,335	3,504,914
Equity shareholders' funds		<u>9,111,335</u>	<u>9,504,914</u>

Director



Director



NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

No cash flow statement is presented as the company is a wholly owned subsidiary.

Consolidation

The accounts present information about the company as an individual undertaking and not about its group as the company is exempt from preparing group accounts under Section 229 of the Companies Act 1985 as all subsidiary undertakings are dormant.

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.

Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold property	-	over 4 to 25 years
Plant and machinery	-	over 4 years
Computer and office equipment	-	over 3 or 4 years
Motor vehicles	-	over 3 years

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

Stocks and work-in-progress

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 consists of direct materials, labour and attributable overheads. Net realisable value is based on estimated selling price, less any further costs of realisation.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions or at the contracted rate if the transaction is covered by a forward exchange contract.

Monetary assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at the forward contract rate. Resulting exchange gains and losses are taken to the profit and loss account.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme and the pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

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 sale of chemical products and adhesive sealants.

An analysis of turnover by geographical market is as follows:

	2001 £	2000 £
United Kingdom	20,620,329	19,044,597
Continental Europe and Ireland	1,875,083	1,649,990
Other	10,282	39,189
	<u>22,505,694</u>	<u>20,733,776</u>

3. COST OF SALES AND OPERATING EXPENSES

	2001		2000	
	Ongoing	Continuing	Ongoing	Continuing
	Acquisition	Total	Acquisition	Total
	£	£	£	£
Cost of sales	11,294,172	1,052,600	12,346,772	10,510,844
Selling and distribution costs	6,859,267	667,412	7,526,679	6,240,433
Administrative expenses	2,174,390	108,709	2,283,099	1,798,682
Other operating income	(120,349)	—	(120,349)	(99,888)
	<u>20,107,470</u>	<u>1,828,721</u>	<u>22,036,191</u>	<u>18,650,731</u>

NOTES TO THE ACCOUNTS

at 31 December 2001

4. OPERATING PROFIT

This is stated after charging/(crediting):

	2001 £	2000 £
Operating lease rentals for vehicles and office equipment	486,920	465,863
Operating lease rentals for land and buildings	23,333	—
Amortisation of goodwill	89,192	—
Depreciation	435,251	403,976
Profit on disposal of fixed assets	8,000	6,200
Auditors' remuneration - audit services	25,200	22,500
- non-audit services	18,600	22,100
Rental income	(50,000)	(49,900)
	<u> </u>	<u> </u>

5. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Emoluments	216,569	210,268
	<u> </u>	<u> </u>
Company contributions paid to money purchase pension schemes	14,719	14,791
	<u> </u>	<u> </u>

In respect of the highest paid director, emoluments were £135,684 (2000: £132,389) and company contributions paid to money purchase pension schemes were £8,475 (2000: £8,797).

Retirement benefits are accruing to two directors under money purchase arrangements (2000: 2).

6. STAFF COSTS

	2001 £	2000 £
Wages and salaries	4,211,419	3,904,460
Social security costs	619,285	451,688
Pension costs	306,514	285,022
Private health care	55,787	119,115
	<u> </u>	<u> </u>
	5,193,005	4,760,285
	<u> </u>	<u> </u>

Sika Limited

NOTES TO THE ACCOUNTS at 31 December 2001

6. STAFF COSTS (continued)

The average monthly number of employees during the year was:

	2001 No.	2000 No.
Production	34	33
Selling	106	99
Administrative and management	15	13
	<u>155</u>	<u>145</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
UK corporation tax	242,835	759,309
Over provided in previous years	(32,818)	(1,509)
	<u>210,017</u>	<u>757,800</u>

The unrecognised value of the company's deferred tax asset at 31 December 2001 is £74,624 (2000: £80,000). This arises primarily as a result of accelerated depreciation in advance of tax allowances.

8. DIVIDENDS

	2001 £	2000 £
Equity dividends on ordinary shares of £1 each:		
Interim dividends of 12p per share (2000: 30p per share)	720,000	1,800,000
	<u>720,000</u>	<u>1,800,000</u>

NOTES TO THE ACCOUNTS

at 31 December 2001

9. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
<i>Cost:</i>	
Acquisition during the year	445,962
At 31 December 2001	<u>445,962</u>
<i>Amortisation:</i>	
Provided during the year	89,192
At 31 December 2001	<u>89,192</u>
Net book value:	
A 31 December 2001	<u>356,770</u>
At 1 January 2001	<u>—</u>

Goodwill is being written off in equal annual instalments over its estimated economic life of 5 years.

On 31 August 2001 the company acquired the trade and certain net assets of the Trocal Waterproofing Division of HT (U.K.) Limited for cash consideration of £687,004.

An analysis of the net assets acquired are as follows:.

	<i>Book value</i> £		<i>Adjustments</i> £	<i>Fair value</i> £
Fixed assets	31,002		—	31,002
Stock	300,000	a)	(50,000)	250,000
Property provision	—		(39,960)	(39,960)
	<u>331,002</u>		<u>(89,960)</u>	<u>241,042</u>
Goodwill arising on acquisition				445,962
Consideration				<u>687,004</u>

a) Write down of stock to net realisable value

The costs incurred this year in reorganising and integrating this acquisition amounted to £212,500.

As the acquired entity was a division of HT (U.K.) Limited there are no separate accounts available for periods prior to the acquisition.

NOTES TO THE ACCOUNTS

at 31 December 2001

10. TANGIBLE FIXED ASSETS

	<i>Freehold Property</i> £	<i>Plant and machinery</i> £	<i>Computer and office equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:					
At 1 January 2001	6,441,430	3,292,756	2,045,229	155,280	11,934,695
Additions	–	264,073	83,820	39,592	387,485
Disposals	–	–	(895,450)	–	(895,450)
At 31 December 2001	6,441,430	3,556,829	1,233,599	194,872	11,426,730
Depreciation:					
At 1 January 2001	2,673,609	3,050,563	1,968,334	97,881	7,790,387
Provided during the year	133,203	171,390	82,019	48,639	435,251
Disposals	–	–	(895,450)	–	(895,450)
At 31 December 2001	2,806,812	3,221,953	1,154,903	146,520	7,330,188
Net book value:					
At 31 December 2001	3,634,618	334,876	78,696	48,352	4,096,542
At 1 January 2001	3,767,821	242,193	76,895	57,399	4,144,308

The amount of freehold buildings on which depreciation is being charged is £4,512,312 (2000: £4,512,312). The net book value of these assets is £1,645,150 (2000: £1,778,353).

11. INVESTMENTS

	2001 £	2000 £
Sika Contracts Limited	2	2
Sika Technology Limited	2	2
	4	4

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.

Sika Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

12. STOCKS

	2001 £	2000 £
Raw materials and consumables	316,616	277,672
Work-in-progress	47,410	56,624
Finished goods and goods for resale	1,826,229	1,391,554
	<u>2,190,255</u>	<u>1,725,850</u>

13. DEBTORS

	2001 £	2000 £
Trade debtors	4,288,147	3,675,258
Amounts owed by parent and fellow subsidiary undertakings	174,812	162,766
Prepayments and accrued income	497,882	533,253
	<u>4,960,841</u>	<u>4,371,277</u>

Included within prepayments and accrued income is £143,666 (2000: £201,439) due in more than one year.

14. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	531,522	539,754
Amounts owed to parent and fellow subsidiary undertakings	1,194,617	622,694
Corporation tax	29,855	377,671
Other taxes and social security costs	654,029	716,931
Accruals and deferred income	183,123	221,805
	<u>2,593,146</u>	<u>2,478,855</u>

NOTES TO THE ACCOUNTS
at 31 December 2001

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Vacant property provision</i> £	<i>Product guarantee provision</i> £	<i>Total</i> £
At 1 January 2001	–	98,000	98,000
Arising during the year	129,460	234,000	363,460
Utilised	–	(47,000)	(47,000)
At 31 December 2001	129,460	285,000	414,460

16. SHARE CAPITAL

	<i>2001 No.</i>	<i>2000 No.</i>	<i>2001 £</i>	<i>Authorised 2000 £</i>
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000

	<i>2001 No.</i>	<i>2000 No.</i>	<i>2001 £</i>	<i>2000 £</i>
Ordinary shares of £1 each	6,000,000	6,000,000	6,000,000	6,000,000

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total shareholders' funds</i> £
At 31 December 1999	6,000,000	3,673,794	9,673,794
Profit for the year	–	1,631,120	1,631,120
Dividends	–	(1,800,000)	(1,800,000)
At 31 December 2000	6,000,000	3,504,914	9,504,914
Profit for the year	–	326,421	326,421
Dividends	–	(720,000)	(720,000)
At 31 December 2001	6,000,000	3,111,335	9,111,335

NOTES TO THE ACCOUNTS

at 31 December 2001

18. 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.

19. OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the company had annual commitments over and above amounts prepaid under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Plant and equipment</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
Operating leases expiring:				
Within one year	—	—	—	99,947
In two to five years	70,000	—	71,224	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Sika Finanz A.G, 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.

Since the company is a wholly owned subsidiary no disclosure is made of transactions with other members of the group.