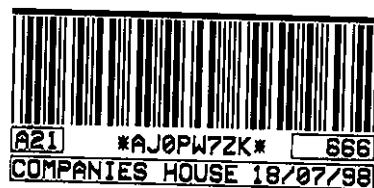


Sika Limited

Report and Accounts

31 DECEMBER 1997



Sika Limited

Registered No. 226822

DIRECTORS

B Baggersgaard
R Farmer
P Laeng

SECRETARY

S Hales

BANKERS

Midland Bank Plc
Howardsgate
Welwyn Garden City
Hertfordshire
AL8 6BH

AUDITORS

Ernst & Young
400 Capability Green
Luton
LU1 3LU

REGISTERED OFFICE

Watchmead
Welwyn Garden City
Hertfordshire
AL7 1BQ

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS & DIVIDENDS

The profit for the year after taxation amounted to £1,784,169 (1996: £1,041,504). The directors have paid interim dividends amounting to £1,600,000 (1996: £300,000). The directors do not recommend the payment of a final dividend leaving a retained profit of £184,169 (1996: £741,504) which has been transferred to reserves.

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND FUTURE DEVELOPMENT

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.

A summary of the result of the year's trading is given on page 6 of the accounts.

The company has concentrated its efforts on the introduction of new product developments and systems, which has more than compensated for a somewhat restricted growth in certain segments of the construction market. Sales into the automotive and marine industries continue to develop positively. Sensible cost control and the strong pound have further contributed to a considerable increase in profitability.

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 £2,134,397 higher than book value, has not been incorporated in these accounts.

CHARITABLE AND POLITICAL GIFTS

Gifts for charitable purposes during the year amounted to £1,185.

DIRECTORS

The directors at 31 December 1997, none of whom held an interest in the company's shares during the year, were:

B Baggersgaard
R Farmer
P Laeng

AUDITORS

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

By order of the board

Secretary



30 January 1998

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; 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.

REPORT OF THE AUDITORS
to the members of Sika Limited

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Luton

30 June 1998

Sika Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
TURNOVER	2	18,135,222	17,606,674
Cost of sales		8,712,216	9,617,251
GROSS PROFIT		9,423,006	7,989,423
Selling and distribution costs		5,553,564	4,998,935
Administrative expenses		1,537,612	1,528,252
Other operating income - foreign exchange gains		(103,086)	(101,267)
		6,988,090	6,425,920
OPERATING PROFIT	3	2,434,916	1,563,503
Interest receivable		237,950	128,001
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,672,866	1,691,504
Tax on profit on ordinary activities	6	888,697	650,000
PROFIT FOR THE FINANCIAL YEAR		1,784,169	1,041,504
Dividends	7	1,600,000	300,000
PROFIT RETAINED FOR THE FINANCIAL YEAR		184,169	741,504

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

Sika Limited

BALANCE SHEET

as at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	8	4,434,113	4,786,936
Investments	9	4	2
		<u>4,434,117</u>	<u>4,786,938</u>
CURRENT ASSETS			
Stocks	10	1,236,495	1,341,037
Debtors	11	3,731,250	3,651,143
Cash at bank and in hand		4,305,031	3,207,725
		<u>9,272,776</u>	<u>8,199,905</u>
CREDITORS: amounts falling due within one year	12	2,992,965	2,457,084
		<u>6,279,811</u>	<u>5,742,821</u>
NET CURRENT ASSETS		<u>10,713,928</u>	<u>10,529,759</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>10,713,928</u></u>	<u><u>10,529,759</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	6,000,000	6,000,000
Profit and loss account	14	4,713,928	4,529,759
	14	<u>10,713,928</u>	<u>10,529,759</u>

Directors

A. Haggren
U. Haggren

30 January 1998

NOTES TO THE ACCOUNTS
for the year ended 31 December 1997

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.

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

Leasing commitments

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

Stock 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.

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.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1997

1. ACCOUNTING POLICIES (continued)

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:

	1997 £	1996 £
United Kingdom	17,348,222	16,746,760
Continental Europe and Ireland	692,784	653,714
Other	94,216	206,200
	<u>18,135,222</u>	<u>17,606,674</u>

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1997 £	1996 £
Operating lease rentals for vehicles and office equipment	350,106	92,017
Depreciation	523,898	946,772
Profit on disposal of fixed assets	(95,659)	(145,019)
Auditors' remuneration - audit services	20,000	19,000
- non-audit services	11,750	3,215
	<u></u>	<u></u>

4. STAFF COSTS

	1997 £	1996 £
Wages and salaries	3,452,245	3,176,946
Social security costs	366,240	331,993
Pension costs	238,048	223,842
Private health care	101,705	92,726
	<u>4,158,238</u>	<u>3,825,507</u>

Sika Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1997

4. STAFF COSTS (continued)

The average monthly number of employees during the year was:

	1997 No	1996 No
Production	35	38
Selling	92	92
Administrative and management	14	15
	<u>141</u>	<u>145</u>

5. DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Aggregate emoluments	165,299	155,684
Company pension contributions to money purchase schemes	16,476	11,172
	<u>181,775</u>	<u>166,856</u>

Retirement benefits are accruing to two directors under money purchase arrangements.

6. TAXATION

	1997 £	1996 £
Based on the profit for the year:		
UK corporation tax at 31.5% (1996: 33%)	890,000	650,000
Over provided in previous years	(1,303)	-
	<u>888,697</u>	<u>650,000</u>

The unrecognised value of the company's deferred tax asset at 31 December 1997 is £230,000 (1996: £250,000). This arises primarily as a result of accelerated depreciation in advance of tax allowances.

7. DIVIDENDS

	1997 £	1996 £
Equity dividends on ordinary shares of £1 each:		
Interim dividends of 26.67p per share (1996: 5.00p per share)	<u>1,600,000</u>	<u>300,000</u>

Sika Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1997

8. 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 1997	6,501,776	2,918,155	1,636,470	419,098	11,475,499
Additions	–	73,949	105,082	–	179,031
Disposals	–	–	–	(331,543)	(331,543)
At 31 December 1997	6,501,776	2,992,104	1,741,552	87,555	11,322,987
Depreciation:					
At 1 January 1997	2,133,558	2,573,506	1,577,449	404,050	6,688,563
Provided during the year	135,615	305,248	75,943	7,092	523,898
Disposals	–	–	–	(323,587)	(323,587)
At 31 December 1997	2,269,173	2,878,754	1,653,392	87,555	6,888,874
Net book value:					
At 31 December 1997	4,232,603	113,350	88,160	–	4,434,113
At 1 January 1997	4,368,218	344,649	59,021	15,048	4,786,936

The amount of freehold buildings on which depreciation is being charged is £4,512,312 (1996: £4,512,312). The net book value of these assets is £2,243,136 (1996: £2,315,379).

9. INVESTMENTS

	<i>1997 £</i>	<i>1996 £</i>
Sika Contracts Limited	2	2
Sika Technology Limited	2	–
	<u>4</u>	<u>2</u>

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

Sika Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1997

10. STOCKS

	1997 £	1996 £
Raw materials and consumables	293,334	277,729
Work in progress	49,615	99,483
Finished goods and goods for resale	893,546	963,825
	<u>1,236,495</u>	<u>1,341,037</u>

11. DEBTORS

	1997 £	1996 £
Trade debtors	2,968,205	3,186,730
Amounts owed by parent and fellow subsidiary undertakings	204,670	71,541
Prepayments and accrued income	558,375	392,872
	<u>3,731,250</u>	<u>3,651,143</u>

Included within prepayments and accrued income is £158,816 (1996 - £109,095) in respect of over one year.

12. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Trade creditors	383,760	449,938
Amounts owed to parent and fellow subsidiary undertakings	334,766	249,347
UK corporation tax	686,158	588,200
Tax and social security costs	534,817	486,177
Accruals and deferred income	1,053,464	683,422
	<u>2,992,965</u>	<u>2,457,084</u>

13. SHARE CAPITAL

	1997 No	1996 No	1997 £	1996 £
Authorised:				
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	6,000,000	6,000,000	6,000,000	6,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
for the year ended 31 December 1997

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 1995	6,000,000	3,788,255	9,788,255
Profit for the year	—	1,041,504	1,041,504
Dividends	—	(300,000)	(300,000)
At 31 December 1996	6,000,000	4,529,759	10,529,759
Profit for the year	—	1,784,169	1,784,169
Dividends	—	(1,600,000)	(1,600,000)
At 31 December 1997	6,000,000	4,713,928	10,713,928

15. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company had annual commitments over and above amounts prepaid under non-cancellable operating leases as set out below:

	Plant and equipment 1997 £	Plant and equipment 1996 £
Operating leases expiring:		
Within one year	453	3,325
Within 2-5 years	61,007	62,818
	61,460	66,143

16. PENSION COSTS

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.

17. ULTIMATE PARENT COMPANY

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 accounts can be obtained from Zugerstrasse 50, CH-6341 Baar.

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