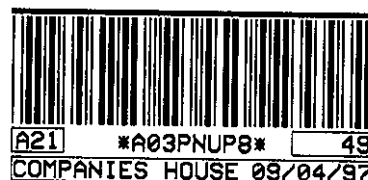


226822

Sika Limited

Report and Accounts

31 DECEMBER 1996



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 1996.

RESULTS & DIVIDENDS

The profit for the year after taxation amounted to £1,041,504 (1995: £805,312). The directors have paid interim dividends amounting to £300,000 (1995: £192,000). The directors do not recommend the payment of a final dividend leaving a retained profit of £741,504 (1995: £613,312) 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 chemical products for the construction industry and adhesive sealants for the automotive and marine industries.

A summary of the results of the year's trading is given on page 7 of the accounts.

Although growth has been somewhat restricted in certain market segments, the introduction of new products and systems has more than compensated for any shortfall, and together with strict cost control has contributed to an improvement in profitability.

This process will continue in 1997.

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.

CHARITABLE AND POLITICAL GIFTS

Gifts for charitable purposes during the year amounted to £1,995.

DIRECTORS

The directors at 31 December 1996, none of whom held an interest in the company's shares during the year, were:

B Baggersgaard
R Farmer
P Laeng

DIRECTORS' REPORT

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



31st January 1997

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 7 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 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.

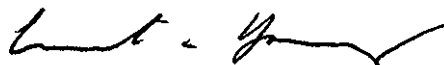
Basis of opinion

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 1996 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

31 January 1997

Sika Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

	Notes	1996 £	1995 £
TURNOVER	2	17,606,674	17,388,811
Cost of sales		9,617,251	9,582,084
GROSS PROFIT		7,989,423	7,806,727
Selling and distribution costs		4,998,935	4,837,372
Administrative expenses		1,528,252	1,753,209
Other operating income		(101,267)	(44,553)
		6,425,920	6,546,028
OPERATING PROFIT	3	1,563,503	1,260,699
Interest receivable		128,001	57,732
		1,691,504	1,318,431
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	6	650,000	513,119
		1,041,504	805,312
PROFIT FOR THE FINANCIAL YEAR			
Dividends	7	300,000	192,000
		741,504	613,312
PROFIT RETAINED FOR THE FINANCIAL YEAR			

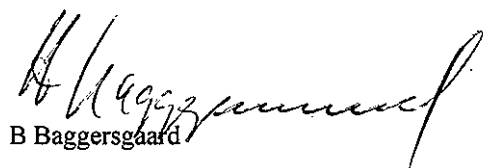
There are no recognised gains or losses other than the profit for the financial year.

Sika Limited

BALANCE SHEET

as at 31 December 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	8	4,786,936	5,715,678
Investments	9	2	2
		<u>4,786,938</u>	<u>5,715,680</u>
CURRENT ASSETS			
Stocks	10	1,341,037	1,315,365
Debtors	11	3,651,143	3,736,373
Cash at bank and in hand		3,207,725	1,559,586
		<u>8,199,905</u>	<u>6,611,324</u>
CREDITORS: amounts falling due within one year	12	2,457,084	2,538,749
		<u>5,742,821</u>	<u>4,072,575</u>
NET CURRENT ASSETS			
		<u>10,529,759</u>	<u>9,788,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>10,529,759</u>	<u>9,788,255</u>
CAPITAL AND RESERVES			
Called up share capital	13	6,000,000	6,000,000
Profit and loss account	14	4,529,759	3,788,255
	14	<u>10,529,759</u>	<u>9,788,255</u>


B Baggersgaard

Directors


R Farmer

31st January 1997

NOTES TO THE ACCOUNTS
for the year ended 31 December 1996

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, including those relating to pensions, 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. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred tax balance.

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 1996

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:

	1996 £	1995 £
United Kingdom	16,746,760	16,411,236
Continental Europe and Ireland	653,714	692,278
Other	206,200	285,297
	<u>17,606,674</u>	<u>17,388,811</u>

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1996 £	1995 £
Operating lease rentals for vehicles and office equipment	92,017	59,857
Depreciation	946,772	1,163,080
Profit on disposal of fixed assets	(145,019)	(71,173)
Auditors' remuneration - audit services	19,000	15,000
- non-audit services	3,215	12,645
Foreign exchange gains	<u>(101,267)</u>	<u>(44,553)</u>

Sika Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1996

4. STAFF COSTS

	1996 £	1995 £
Wages and salaries	3,176,946	3,154,160
Social security costs	331,993	323,336
Pension costs	223,842	216,474
Private health care	92,726	107,447
	<u>3,825,507</u>	<u>3,801,417</u>

The average weekly number of employees during the year was:

	1996 No	1995 No
Production	38	38
Selling	92	90
Administrative and management	15	18
	<u>145</u>	<u>146</u>

5. DIRECTORS' EMOLUMENTS

	1996 £	1995 £
Other emoluments (including pension contributions)	<u>166,856</u>	<u>163,474</u>

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	Number	Number
£Nil to £5,000	1	1
£5,001 to £10,000	—	1
£10,001 to £15,000	—	1
£15,001 to £20,000	1	—
£20,001 to £25,000	—	1
£25,001 to £30,000	1	—
	<u>1</u>	<u>—</u>

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, was £88,043 (1995 : £83,471)

6. TAXATION

	1996 £	1995 £
Based on the profit for the year:		
UK corporation tax at 33%	650,000	597,000
Over provided in previous years	—	(83,881)
	<u>650,000</u>	<u>513,119</u>

Sika Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1996

7. DIVIDENDS

	1996 £	1995 £
Equity dividends on ordinary shares of £1 each:		
Interim dividend of 5.00p per share (1995: 3.20p per share)	300,000	192,000

8. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Computer and office equipment £	Motor vehicles £	Total £
Cost:					
At 1 January 1996	6,494,276	2,858,259	1,589,070	977,254	11,918,859
Additions	7,500	63,896	49,030	17,000	137,426
Disposals	—	(4,000)	(1,630)	(575,156)	(580,786)
At 31 December 1996	6,501,776	2,918,155	1,636,470	419,098	11,475,499
Depreciation:					
At 1 January 1996	1,926,855	2,144,557	1,453,514	678,255	6,203,181
Provided during the year	206,703	432,949	125,565	181,555	946,772
Disposals	—	(4,000)	(1,630)	(455,760)	(461,390)
At 31 December 1996	2,133,558	2,573,506	1,577,449	404,050	6,688,563
Net book value:					
At 31 December 1996	4,368,218	344,649	59,021	15,048	4,786,936
At 1 January 1996	4,567,421	713,702	135,556	298,999	5,715,678

The amount of freehold buildings on which depreciation is being charged is £4,512,312 (1995: £4,504,812). The net book value of these assets is £2,315,379 (1995: £2,577,956).

Sika Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1996

9. INVESTMENTS

	1996 £	1995 £
Sika Contracts Limited	2	2

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

10. STOCKS

	1996 £	1995 £
Raw materials and consumables	277,729	307,922
Work in progress	99,483	78,248
Finished goods and goods for resale	963,825	929,195
	<u>1,341,037</u>	<u>1,315,365</u>

11. DEBTORS

	1996 £	1995 £
Trade debtors	3,186,730	3,324,638
Amounts owed by parent and fellow subsidiary undertakings	71,541	300,633
Prepayments and accrued income	392,872	111,102
	<u>3,651,143</u>	<u>3,736,373</u>

Included within prepayments and accrued income is £109,095 (1995 - £nil) in respect of over one year.

12. CREDITORS: amounts falling due within one year

	1996 £	1995 £
Trade creditors	449,938	404,367
Amounts owed to parent and fellow subsidiary undertakings	249,347	384,880
UK corporation tax	588,200	572,765
Tax and social security costs	486,177	519,138
Accruals and deferred income	683,422	657,599
	<u>2,457,084</u>	<u>2,538,749</u>

Sika Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1996

13. SHARE CAPITAL

	1996 No	1995 No	1996 £	1995 £
Authorised:				
Ordinary shares of £1 each	10,000,000	10,000,000	10,000,000	10,000,000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	6,000,000	6,000,000	6,000,000	6,000,000

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 1995	6,000,000	3,174,943	9,174,943
Profit for the year	—	805,312	805,312
Dividends	—	(192,000)	(192,000)
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

15. OTHER FINANCIAL COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	Plant and equipment 1996 £	Plant and equipment 1995 £
Operating leases expiring:		
Within one year	3,325	17,935
Within 2-5 years	62,818	5,589
	66,143	23,524

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.