

**SARNAFIL LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**



**SARNAFIL LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

H Perrin de Brichambaut  
S Hearn (Managing Director)  
N Blacklock  
A Bleibler  
S Pont

**COMPANY NUMBER**

01520061

**REGISTERED OFFICE**

Robberds Way  
Bowthorpe Industrial Estate  
Bowthorpe  
Norwich  
NR5 9JF

## **SARNAFIL LIMITED**

### **CONTENTS**

	<b>Page</b>
<b>Directors' report</b>	<b>1 - 2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Auditors' report</b>	<b>4</b>
<b>Income statement</b>	<b>5</b>
<b>Statement of changes in equity</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Statement of cash flows</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9 - 19</b>

**SARNAFIL LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

The directors submit their report and financial statements for the year ended 31 December 2011

**RESULTS AND DIVIDENDS**

These financial statements have been prepared in accordance with International Financial Reporting Standards. The profit for the year after taxation amounted to £1,011 (2010 – loss £84,012)

The directors confirm there were no dividends declared and paid (2010 - £2,990,000)

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity was that of importers and distributors of high quality roofing materials and waterproofing systems. All trading activities of the company were transferred to Sika Limited on 1 January 2010. The company will remain dormant for the foreseeable future.

**HOLDING COMPANY**

The company is a wholly owned subsidiary of Sika AG a company incorporated in Switzerland.

**DIRECTORS**

The directors who served during the year were as follows

H Perrin De Brichambaut  
S Hearn  
N Blacklock  
A Bleibler  
S Ponti

**GOING CONCERN**

On the basis of the directors' assessment of the financial position of the company the directors have a reasonable expectation that the company will continue to meet its obligations as they fall due. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

**SARNAFIL LIMITED**

**DIRECTORS' REPORT (continued)**

**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



H P de Brichambaut  
**Director**

Date 17 July 2012

## **SARNAFIL LIMITED**

### **STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union

The financial statements are required by law and IFRSs to present fairly the financial position of the company and the performance for that period, the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing each of the 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 they have been prepared in accordance with IFRSs, 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 enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

## SARNAFIL LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARNAFIL LIMITED

We have audited the financial statements of Sarnafil Limited for the year ended 31 December 2011 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 3, 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 and express an opinion on 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 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 2011 and of the profit for the year then ended,
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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.

#### **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 by the company, 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.



Fraser Bull (Senior Statutory Auditor)

For and on behalf of

Ernst & Young LLP, Statutory Auditors

Luton

17 July 2012

**SARNAFIL LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £	2010 £
Revenue	2	-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		-	-
Administrative expenses		-	-
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>	3	-	-
Loss on disposal of trade		-	(85,881)
Net finance income/(expense)	5	1,011	1,869
		<hr/>	<hr/>
<b>PROFIT/(LOSS) BEFORE TAX</b>		1,011	(84,012)
Tax expense	6	-	-
		<hr/>	<hr/>
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>		1,011	(84,012)
		<hr/>	<hr/>

There are no gains or losses for the current or comparative years other than those reported in the income statement

All amounts included above relate to discontinued activities

The notes on pages 9 to 19 form part of these financial statements



**SARNAFIL LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
Balance as at 1 January 2010	200,000	3,076,529	3,276,529
Loss for the year	-	(84,012)	(84,012)
Dividends	-	(2,990,000)	(2,990,000)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2010	200,000	2,517	202,517
	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2011	200,000	2,517	202,517
Profit for the year	-	1,011	1,011
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2011	200,000	3,528	203,528
	<hr/>	<hr/>	<hr/>

The notes on pages 9 to 19 form part of these financial statements

**SARNAFIL LIMITED**  
**REGISTERED NUMBER 01520061**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Notes	2011 £	2010 £
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	-	-
Intangible assets	8	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Trade and other receivables	9	203,528	202,517
Cash and cash equivalents	10	-	-
		<hr/>	<hr/>
		203,528	202,517
		<hr/>	<hr/>
Total assets		203,528	202,517
		<hr/>	<hr/>
Net assets		203,528	202,517
		<hr/>	<hr/>
<b>EQUITY</b>			
Share capital	12	200,000	200,000
Retained earnings		3,528	2,517
		<hr/>	<hr/>
		203,528	202,517
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>			

These financial statements have been approved and authorised for issue by the board of directors on 17 JULY 2012

  
H P de Brichambaut – Director

The notes on pages 9 to 19 form part of these financial statements

**SARNAFIL LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	2010 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating profit	-	-
Adjustments for non-cash items		
Depreciation and amortisation		
Non operating income	1,011	-
	<hr/>	<hr/>
<b>CASH FLOWS FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	1,011	-
Change in trade and other receivables	(1,011)	(201,784)
	<hr/>	<hr/>
<b>CASH GENERATED FROM OPERATIONS</b>	-	(201,784)
Interest received	-	1,869
Tax paid	-	-
	<hr/>	<hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	-	(199,915)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of net assets	-	1,985,119
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	1,985,119
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Equity dividends paid	-	(2,990,000)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	(2,990,000)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	-	(1,204,796)
Cash and cash equivalents at 1 January	-	1,204,796
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 19 form part of these financial statements

## **SARNAFIL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **1 PRINCIPAL ACCOUNTING POLICIES**

Sarnafil Limited is a company incorporated and domiciled in the United Kingdom

##### **1.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The company has considered all new and amended IFRS that became mandatory for accounting periods beginning on or after 1 January 2009 and have concluded that they are not relevant to the company's operations

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such judgements are made they are indicated within the accounting policies below

##### **1.2 GOING CONCERN**

On 1<sup>st</sup> January 2010 the company transferred all assets and trade to another group company at book value and became dormant. On the basis of the directors' assessment of the financial position of the company the directors have a reasonable expectation that the company will continue to meet its obligations as they fall due. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

##### **1.3 FOREIGN CURRENCY TRANSACTIONS**

Transactions in currency other than the company's functional currency of sterling are recorded at the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of these transactions and from re-translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

## **SARNAFIL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **1.4 PROPERTY, PLANT AND EQUIPMENT**

##### **(i) Owned assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1 9)

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment

##### **(ii) Leased assets**

Leases in terms of which the company assumes substantially all the risks and reward of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy 1 9). Lease payments are accounted for as described in accounting policy 1 14.

##### **(iii) Depreciation**

Depreciation is charged at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Short term leasehold property improvements	Over the remaining life of the lease on the straight line basis
Plant and equipment	10% - 33⅓% per annum on the straight line basis
Motor vehicles	25% per annum on the straight line basis

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### **1.5 INTANGIBLE ASSETS**

(i) Intangible assets that are acquired are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 1 9).

(ii) Amortisation is charged to the income statement at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Computer software - 33⅓% per annum on the straight line basis

#### **1.6 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made where there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote (see accounting policy 1 9).

#### **1.7 INVENTORIES**

Inventories are stated at the lower of moving average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## **SARNAFIL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **1.8 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprises cash balances and call deposits

#### **1.9 IMPAIRMENT**

The carrying amounts of the company's assets, excluding inventories (see accounting policy 1.7) and deferred taxation assets (see accounting policy 1.15), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### **1.10 EMPLOYEE BENEFITS**

##### **Defined contribution pension plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the period which they become payable.

#### **1.11 PROVISIONS**

A provision is recognised in the balance sheet 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **1.12 TRADE AND OTHER PAYABLES**

Trade and other payables are recognised at their initial historic cost which is deemed to be fair value.

#### **1.13 REVENUE RECOGNITION**

##### **Goods sold and services rendered**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, usually on the dispatch of the goods.

#### **1.14 EXPENSES**

##### **(i) Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the terms of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### **(ii) Net finance income**

Net financing income comprises interest payable and receivable calculated using the effective interest rate method and is recognised on the income statement as incurred.

## SARNAFIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

#### 1.15 TAX

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 1.16 INTRA-GROUP FINANCIAL INSTRUMENTS

Intra-group financial instruments are recognised at their initial transaction value. Any amount outstanding at the balance sheet date is recognised at its monetary value.

#### 2 SEGMENTAL REPORTING

There were no sales in the year warranting segmental reporting.

#### 3 OPERATING PROFIT

	2011 £	2010 £
This is stated after charging/(crediting)		
Directors' emoluments (note 13b)	-	-
Directors' company contributions to money purchase pension scheme (note 13b)	-	-
Auditors' remuneration (see below)	-	-
Depreciation - owned assets	-	-
Amortisation	-	-

Fees for 2011 have been borne by Sika Limited. There were no non-audit fees.

#### 4 PERSONNEL EXPENSES

There were no employees or employee expenses during the year.

**SARNAFIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**5 NET FINANCE INCOME/(EXPENSE)**

	<b>2011 £</b>	<b>2010 £</b>
Interest income	1,011	1,869

**6 TAX CREDIT/EXPENSE**

**RECOGNISED IN THE INCOME STATEMENT**

	<b>2011 £</b>	<b>2010 £</b>
<b>CURRENT TAX (CREDIT)/EXPENSE</b>		
Current UK corporation tax at 28%/26% (2010 28%)	-	-
<b>DEFERRED TAX EXPENSE</b>		
Origination and reversal of temporary differences	-	-
Total tax (credit)/expense charged in income statement	-	-

**FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR**

The tax assessed for the year is at the effective rate of corporation tax in the UK of 26.5%. The differences are explained below

	<b>2011 £</b>	<b>2010 £</b>
Profit/(loss) before tax	1,011	(84,012)
Tax using the UK corporation tax rate of 26.5% (2010 28%)	268	(23,523)
Non-deductible expenses/income	(268)	23,523
Total tax (credit)/expense charged in income statement	-	-



**SARNAFIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**7 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvement £	Plant and equipment £	Motor vehicles £	Total £
<b>COST</b>				
At 1 January 2010	806,574	567,370	74,297	1,448,241
Additions	-	-	-	-
Disposals	(806,574)	(567,370)	(74,297)	(1,448,241)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION AND IMPAIRMENT LOSSES</b>				
At 1 January 2010	780,534	505,217	58,390	1,344,141
Provided during the year	-	-	-	-
On disposals	(780,534)	(505,217)	(58,390)	(1,344,141)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	-	-	-	-
Depreciation charge for the year	-	-	-	-
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>CARRYING AMOUNT</b>				
At 31 December 2011	Nil	Nil	Nil	Nil
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	Nil	Nil	Nil	Nil
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	26,040	62,153	15,907	104,100
	<hr/>	<hr/>	<hr/>	<hr/>

**SARNAFIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**8 INTANGIBLE ASSETS**

	<b>Software £</b>
<b>COST</b>	
Balance at 1 January 2010	111,001
Acquisitions	-
Disposals	(111,001)
	<hr/>
Balance at 1 January 2011	-
Acquisitions	-
Disposals	-
	<hr/>
Balance at 31 December 2011	-
	<hr/>
<b>AMORTISATION AND IMPAIRMENT LOSSES</b>	
Balance at 1 January 2010	105,503
Amortisation for the year	-
Disposals	(105,503)
	<hr/>
Balance at 1 January 2011	-
Amortisation for the year	-
Disposals	-
	<hr/>
Balance at 31 December 2011	-
	<hr/>
<b>CARRYING AMOUNT</b>	
At 31 December 2011	-
	<hr/>
At 31 December 2010	-
	<hr/>
At 31 December 2009	5,498
	<hr/>
<b>AMORTISATION CHARGE</b>	

The amortisation charge is recognised in the administrative expenses line in the income statement

**SARNAFIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**9 TRADE AND OTHER RECEIVABLES**

	<b>2011 £</b>	<b>2010 £</b>
Parent company loan	<u>203,528</u>	<u>202,517</u>

The company has not pledged as security any of the amounts within trade and other receivables

**10 CASH AND CASH EQUIVALENTS**

	<b>2011 £</b>	<b>2010 £</b>
Bank balances	<u>-</u>	<u>-</u>

## SARNAFIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

#### 11 FINANCIAL INSTRUMENTS

##### MANAGEMENT OF FINANCIAL RISKS

###### Basic principles

The company's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risks and interest rate risk), credit risk and liquidity risk. The company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The Finance Department identifies and evaluates financial risks in close co-operation with the company operating units.

###### Foreign exchange risks

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss Franc. Foreign exchange risk arises when commercial transactions, recognised assets or liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

###### Interest rate risk

Interest rate risks result from changes in interest rates, which could have a negative impact on the company's financial position, cash flow and earnings situation. Interest rate risk is limited through emission of fixed interest long-term bonds. A change in the rate of interest would therefore alter neither annual financial expenses nor shareholders' equity materially. Interest rate development is closely monitored by management.

###### Credit risk

Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge their obligations, thereby causing the company to suffer a financial loss. Counterparty risks are minimised by only concluding contracts with reputable business partners and banks. Otherwise trades are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis via internal reporting procedures. Potential concentrations of risks are reduced by the large number of customers and their geographic dispersion. The maximum exposure is the carrying amount of those receivables.

###### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities. Management monitors the company's liquidity reserve on the basis of expected cash flow.

###### Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business. The company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010. The company monitors the equity ratio, which is equity divided by total capital.

# SARNAFIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

### 12 CAPITAL AND RESERVES

#### SHARE CAPITAL

	2011	2010
£1 ordinary shares issued at 1 January and 31 December	200,000	200,000

At 31 December 2011 the authorised and fully paid share capital comprised 200,000 £1 ordinary shares (2010 200,000)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company

This year a dividend of £nil per share (2010 £14.95) was declared and paid to the ordinary shareholders. At the balance sheet date, no further dividends have been proposed by the board in respect of the year ended 31 December 2011

### 13 RELATED PARTIES TRANSACTIONS

#### a) GROUP TRANSACTIONS

Transactions between the company and other Group companies are shown below

Company	Nature of transaction	2011 £	2010 £
Sika AG	Dividend paid	-	(2,990,000)
	Interest received	1,011	1,869

Significant balances outstanding between the company and other Group companies are shown below

Company	Amount owed to Sarnafil Ltd	
	2011	2010
	£	£
Sika AG	203,528	202,517

**SARNAFIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**13 RELATED PARTIES TRANSACTIONS (CONTINUED)**

**b) DIRECTORS**

Total remuneration as included in personnel expenses (see note 5)

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Directors remuneration (including short term benefits of £Nil (2010 £Nil))	-	-
	<u>          </u>	<u>          </u>
Directors company pension contributions	-	-
	<u>          </u>	<u>          </u>

The number of directors receiving pension contributions during the year was Nil (2010 Nil)

**14 HOLDING COMPANY**

The company is a wholly owned subsidiary of Sika AG a company incorporated in Switzerland. The financial statements of the holding company are available to the public and may be obtained from Zugerstrasse 50, CH-6341, Baar, Switzerland