

Registered number: 01520061

**SARNAFIL LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

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**SARNAFIL LIMITED**  
**COMPANY INFORMATION**

**DIRECTORS**

H Perrin De Brichambaut  
S Hearn (Managing Director)  
N Blacklock  
A Bleibler  
S Ponti

**COMPANY SECRETARY**

S Hales

**COMPANY NUMBER**

01520061

**REGISTERED OFFICE**

Robberds Way  
Bowthorpe Industrial Estate  
Bowthorpe  
Norwich  
NR5 9JF

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**SARNAFIL LIMITED**

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**SARNAFIL LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors submit their report and consolidated financial statements for the year ended 31 December 2009

**GROUP**

These financial statements include the results of Sarnafil Limited and its subsidiary, Sarnafil Roof Assured Limited

**RESULTS AND DIVIDENDS**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The Group trading profit for the year after taxation amounted to £1,622,916 (2008 - £1,041,970)

The directors confirm there were dividends declared and paid of £1,400,000 (2008 - £300,000)

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity is that of importers and distributors of high quality roofing materials and waterproofing systems. Its subsidiary, Sarnafil Roof Assured Limited was dormant during the year.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the Group as a whole, these being turnover, gross profit, operating profit and dividends payable to our holding company, Sika AG.

Increased competition and tough economic conditions meant our Group turnover decreased by £3,295,291 (9.9%) to £29,814,888 but we remain a major force in the market place.

We returned a gross profit of £7,847,076 down £449,980, which gives a gross margin for the year of 26% compared to 25% for last year.

Our operating profit for the year came in at £2,305,270 against £1,479,715 for last year.

The management of the Group's working capital requirements remains strong and we are pleased to be able to report that after paying a dividend to our holding company of £1,400,000 (2008 - £300,000) the closing cash and cash equivalents amounted to £1,204,796 (2008 - £2,189,344).

We have considered non financial key performance indicators and conclude that none are relevant to the operation of the business.

As with many businesses of our size, the business environment in which we operate continues to be challenging. Our market is becoming more competitive and we believe that margins will come under pressure. The board however consider the overall state of affairs of the Group to be satisfactory at the year end and they remain optimistic that, despite the current economic downturn, the results for 2010 should be comparable to 2009.

## **SARNAFIL LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **FINANCIAL RISK MANAGEMENT**

The Group consistently reviews its financial risk management and the directors believe that the Group has minimal exposure to either price, liquidity or cash flow risk. Hedge accounting is rarely used as the spot rate for currency exchange is used in the normal course of transacting business overseas. The frequency of using the spot rate for foreign currency transactions minimises the Group's exposure to major fluctuations in exchange rate movements.

#### **HOLDING COMPANY**

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

#### **FUTURE DEVELOPMENTS AND EVENTS SINCE THE END OF THE YEAR**

Since the year end the trade and assets of the company have been transferred to Sika Limited, a fellow group company for consideration of £3,276,529. All trading activities of the company will be performed by Sika Limited and the company will remain dormant for the foreseeable future.

#### **DIRECTORS**

The directors who served during the year were as follows:

P T Wright (resigned 31 12 09)  
H Perrin De Brichambaut (appointed 16 2 09)  
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.

#### **AUDITORS**

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

#### **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 Group and parent company financial statements are required by law and IFRSs to present fairly the financial position of the Group and the parent 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 Group and parent company 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 Group and the parent company will continue in business.

**SARNAFIL LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**


The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent 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.

**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 on page 2. 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.

By order of the board



S Hearn  
Director

Date 6.12.10

## **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 2009 which comprise the Group Income Statement, the Group and Company Balance Sheet, the Group and Company Cash Flow Statement, the Group and Company Statement of Changes in Equity and the related notes 1 to 25. 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 2, 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 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 group's and the parent 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 group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent company 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 parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.

  
Ian Strachan (Senior Statutory Auditor)

For and on behalf of  
Ernst & Young LLP  
Statutory Auditors  
Cambridge

8 December 2010

**SARNAFIL LIMITED**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Group 2009 £	Group 2008 £
Revenue	3	29,814,888	33,110,179
Cost of sales		(21,967,812)	(24,813,123)
<b>GROSS PROFIT</b>		<b>7,847,076</b>	<b>8,297,056</b>
Other operating income	4	32,970	46,603
Administrative expenses		(5,574,776)	(6,863,944)
<b>OPERATING PROFIT</b>	5	<b>2,305,270</b>	<b>1,479,715</b>
Net finance (expense)/ income	7	(7,567)	30,407
<b>PROFIT BEFORE TAX</b>		<b>2,297,703</b>	<b>1,510,122</b>
Tax expense	8	(675,547)	(468,152)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>		<b>1,622,156</b>	<b>1,041,970</b>

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 23 form part of these financial statements



**SARNAFIL LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**GROUP**

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
Balance as at 1 January 2008	200,000	2,097,022	2,297,022
Profit for the year	-	1,041,970	1,041,970
Dividends	-	(300,000)	(300,000)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2008	200,000	2,838,992	3,038,992
	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2009	200,000	2,838,992	3,038,992
Profit for the year	-	1,622,156	1,622,156
Dividends	-	(1,400,000)	(1,400,000)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2009	200,000	3,061,148	3,261,148
	<hr/>	<hr/>	<hr/>

**COMPANY**

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
Balance as at 1 January 2008	200,000	2,121,413	2,321,413
Profit for the year	-	1,032,960	1,032,960
Dividends	-	(300,000)	(300,000)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2008	200,000	2,854,373	3,054,373
	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2009	200,000	2,854,373	3,054,373
Profit for the year	-	1,622,156	1,622,156
Dividends	-	(1,400,000)	(1,400,000)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2009	200,000	3,076,529	3,276,529
	<hr/>	<hr/>	<hr/>

The notes on pages 9 to 23 form part of these financial statements

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

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2009**

	Notes	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	9	104,100	104,100	156,103	156,103
Intangible assets	10	5,498	5,498	8,671	8,671
Deferred tax assets	11	56,849	56,849	109,838	109,838
		<u>166,447</u>	<u>166,447</u>	<u>274,612</u>	<u>274,612</u>
<b>CURRENT ASSETS</b>					
Inventories	12	689,852	689,852	733,636	733,636
Trade and other receivables	13	3,920,223	3,920,223	4,545,719	4,545,719
Cash and cash equivalents	14	1,204,796	1,204,796	2,189,344	2,189,344
		<u>5,814,871</u>	<u>5,814,871</u>	<u>7,468,699</u>	<u>7,468,699</u>
Total assets		<u>5,981,318</u>	<u>5,981,318</u>	<u>7,743,311</u>	<u>7,743,311</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	2,157,871	2,146,390	3,946,804	3,935,323
Interest bearing loans and borrowings	16	-	-	336,896	336,896
Tax liabilities		242,579	242,579	147,195	147,195
Provisions for other liabilities and charges	17	315,820	315,820	269,524	269,524
		<u>2,716,270</u>	<u>2,704,789</u>	<u>4,700,419</u>	<u>4,688,938</u>
<b>NON-CURRENT LIABILITIES</b>					
		-	-	-	-
Total liabilities		<u>2,716,270</u>	<u>2,704,789</u>	<u>4,700,419</u>	<u>4,688,938</u>
Net assets		<u>3,265,048</u>	<u>3,276,529</u>	<u>3,042,892</u>	<u>3,054,373</u>
<b>EQUITY</b>					
Share capital	19	200,000	200,000	200,000	200,000
Retained earnings		3,061,148	3,076,529	2,838,992	2,854,373
		<u>3,261,148</u>	<u>3,276,529</u>	<u>3,038,992</u>	<u>3,054,373</u>
Amount attributable to equity holders		3,261,148	3,276,529	3,038,992	3,054,373
Minority interest	20	3,900	-	3,900	-
<b>TOTAL EQUITY</b>		<u>3,265,048</u>	<u>3,276,529</u>	<u>3,042,892</u>	<u>3,054,373</u>

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

 6.12.10

**S Hearn – Managing Director**

The notes on pages 9 to 23 form part of these financial statements

**SARNAFIL LIMITED**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Group 2009 £</b>	<b>Company 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2008 £</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating profit	2,305,270	2,305,270	1,479,715	1,470,705
Adjustments for non-cash items				
Depreciation and amortisation	64,423	64,423	145,266	145,266
(Profit)/loss on sale of plant and equipment	(32,970)	(32,970)	(46,603)	(46,603)
<b>CASH FLOWS FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>2,336,723</b>	<b>2,336,723</b>	<b>1,578,378</b>	<b>1,569,368</b>
Change in trade and other receivables	625,496	625,496	1,468,168	1,465,928
Change in inventories	43,784	43,784	197,139	197,139
Change in trade and other payables	(1,954,980)	(1,954,980)	(918,879)	(907,629)
Change in provisions for other liabilities and charges	46,296	46,296	269,524	269,524
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1,097,319</b>	<b>1,097,319</b>	<b>2,594,330</b>	<b>2,594,330</b>
Interest paid	(13,825)	(13,825)	(53,975)	(53,975)
Interest received	6,258	6,258	84,382	84,382
Tax paid	(361,126)	(361,126)	(474,552)	(474,552)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>728,626</b>	<b>728,626</b>	<b>2,150,185</b>	<b>2,150,185</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(35,582)	(35,582)	(22,964)	(22,964)
Proceeds from sale of plant and equipment	61,104	61,104	86,067	86,067
Purchase of intangible assets	(1,800)	(1,800)	(3,964)	(3,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>23,722</b>	<b>23,722</b>	<b>59,139</b>	<b>59,139</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of finance leases	-	-	(17,134)	(17,134)
Group cash pooling	(336,896)	(336,896)	(700,907)	(700,907)
Equity dividends paid	(1,400,000)	(1,400,000)	(300,000)	(300,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(1,736,896)</b>	<b>(1,736,896)</b>	<b>(1,018,041)</b>	<b>(1,018,041)</b>
Net (decrease)/increase in cash and cash equivalents	(984,548)	(984,548)	1,191,283	1,191,283
Cash and cash equivalents at 1 January	2,189,344	2,189,344	998,061	998,061
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>1,204,796</b>	<b>1,204,796</b>	<b>2,189,344</b>	<b>2,189,344</b>

The notes on pages 9 to 23 form part of these financial statements

## **SARNAFIL LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1 PRINCIPAL ACCOUNTING POLICIES – GROUP AND COMPANY**

Sarnafil Limited (the "company") is a company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the company for the year ended 31 December 2009 comprise the company and its subsidiary (together referred to as the "Group")

##### **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 parent company's financial statements have also been prepared in accordance with IFRS, as applied in accordance with the provisions of the Companies Act 2006.

The Group has considered all new and amended IFRS that became mandatory for accounting periods beginning on or after 1 January 2008 and have concluded that they are not relevant to the Group's operations.

The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act not to present a separate income statement for the parent company. The financial statements have been prepared under the historical cost convention. A summary of the more important Group 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**

Subsequent to the year end 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 BASIS OF CONSOLIDATION - SUBSIDIARIES**

Subsidiaries are those entities controlled by the company. Control exists when the company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet.

##### **1.4 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1.5 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 10)

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 Group 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 10). Lease payments are accounted for as described in accounting policy 1 15.

##### **(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.

#### **1.6 INTANGIBLE ASSETS**

(i) Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 1 10).

(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

#### **1.7 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 Group 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 10).

#### **1.8 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **1 9 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprises cash balances and call deposits

#### **1 10 IMPAIRMENT**

The carrying amounts of the Group's assets, excluding inventories (see accounting policy 1 7) and deferred taxation assets (see accounting policy 1 16), 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.

#### **1.11 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.

#### **1.12 PROVISIONS**

A provision is recognised in the balance sheet when the Group 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.

#### **1.13 TRADE AND OTHER PAYABLES**

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

#### **1 14 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 15 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

#### 1.16 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.

#### 1.17 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 INVESTMENT IN SUBSIDIARIES

During July 2007 Sarnafil Limited acquired the trading assets of its subsidiary Sarnafil Roof Assured Limited for £5,000. The purchase was immediately fully impaired and the subsidiary became dormant. The initial acquisition was accounted for using the purchase method of consolidation. The total cost of this investment amounted to £36,100 and was fully amortised in the financial statements prior to 1 January 2005.

With the subsidiary being dormant, Sarnafil Limited has fully provided for all the remaining balance in its individual accounts.

In the year ended 31 December 2009 the subsidiary was dormant and so contributed net profit of £Nil (2008 £Nil) to the consolidated net profit for the year.

#### 3 SEGMENTAL REPORTING

All products are related to the supply of roofing materials, consequently no business segmental analysis is given.

For management purposes, revenue for the Group is organised into geographical regions, UK, other EU countries and rest of world.

	2009 £	2008 £
United Kingdom	29,769,446	33,087,628
Other European Union countries	40,744	22,551
Rest of the world	4,698	-
	<hr/>	<hr/>
	29,814,888	33,110,179
	<hr/>	<hr/>
All assets are held in the UK		

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**4 OTHER OPERATING INCOME**

	<b>2009</b> <b>£</b>	<b>2008</b> <b>£</b>
Gain on disposal of plant and equipment	32,970	46,603
	<u>32,970</u>	<u>46,603</u>

**5 OPERATING PROFIT**

	<b>2009</b> <b>£</b>	<b>2008</b> <b>£</b>
This is stated after charging/(crediting)		
Directors' emoluments (note 22b)	118,122	140,530
Directors' company contributions to money purchase pension scheme (note 22b)	6,953	6,953
Auditors' remuneration (see below)	14,460	19,203
Depreciation - owned assets	59,450	136,998
- profit on disposal of assets	(32,970)	(46,603)
Amortisation	4,973	8,268
Loss on exchange	91,751	184,018
Operating lease payments - land and buildings	75,000	73,736
- motor vehicles	194,077	129,639
	<u>1,074,813</u>	<u>1,435,875</u>

The remuneration paid to the auditors was in respect of the Group statutory audit only. No fees were paid to them for non audit services.

**6 PERSONNEL EXPENSES – GROUP AND COMPANY**

	<b>2009</b> <b>£</b>	<b>2008</b> <b>£</b>
Wages and salaries	2,468,163	2,846,542
Compulsory social security contributions	293,962	313,955
Contributions to defined contribution pension plans	196,902	205,198
	<u>2,959,027</u>	<u>3,365,695</u>

The average number of employees during the year ended 31 December 2009 was 72 (2008: 80). This can be allocated 38 (2008: 47) sales staff and 34 (2008: 33) office and management.

The pension costs charged reflect the Group's liability for the year. There were contributions outstanding at the year end of £19,408 (2008: £21,063).



**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

	<b>2009 £</b>	<b>2008 £</b>
Interest expenses	(13,825)	(53,975)
Interest income	6,258	84,382
	<u>(7,567)</u>	<u>30,407</u>

**8 TAX EXPENSE**

**RECOGNISED IN THE INCOME STATEMENT**

	<b>2009 £</b>	<b>2008 £</b>
<b>CURRENT TAX EXPENSE</b>		
Current UK corporation tax at 28% (2008 28.5%)	485,100	435,317
Group relief payment for losses relieved	166,047	-
Over provision for earlier years	(28,590)	-
	<u>622,557</u>	<u>435,317</u>
<b>DEFERRED TAX EXPENSE</b>		
Origination and reversal of temporary differences (note 11)	52,990	32,835
	<u>675,547</u>	<u>468,152</u>

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

The tax assessed for the year is higher than the effective rate of corporation tax in the UK of 28% for the year. The differences are explained below:

	<b>2009 £</b>	<b>2008 £</b>
Profit before tax	2,297,703	1,510,122
	<u>2,297,703</u>	<u>1,510,122</u>
Tax using the UK corporation tax rate of 28% (2008 28.5%)	643,556	430,385
Non-deductible expenses	35,616	28,711
Adjustment to tax charge in respect of previous years	(3,425)	-
Effect of change in future rate of corporation tax for deferred tax calculation from 30% to 28%	-	9,056
	<u>675,547</u>	<u>468,152</u>
Total tax expense charged in income statement	<u>675,547</u>	<u>468,152</u>

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**9 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY**

	Leasehold improvement £	Plant and equipment £	Motor vehicles £	Total £
<b>COST</b>				
At 1 January 2008	780,534	551,664	677,953	2,010,151
Additions	-	22,964	-	22,964
Disposals	-	(16,800)	(333,171)	(349,971)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	780,534	557,828	344,782	1,683,144
Additions	26,040	9,542	-	35,582
Disposals	-	-	(270,485)	(270,485)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2009	<u>806,574</u>	<u>567,370</u>	<u>74,297</u>	<u>1,448,241</u>
<b>DEPRECIATION AND IMPAIRMENT LOSSES</b>				
At 1 January 2008	780,534	453,546	466,471	1,700,551
Provided during the year	-	34,459	102,539	136,998
On disposals	-	(10,572)	(299,936)	(310,508)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	780,534	477,433	269,074	1,527,041
Depreciation charge for the year	-	27,784	31,666	59,450
Disposals	-	-	(242,350)	(242,350)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2009	<u>780,534</u>	<u>505,217</u>	<u>58,390</u>	<u>1,344,141</u>
<b>CARRYING AMOUNT</b>				
At 31 December 2009	<u>26,040</u>	<u>62,153</u>	<u>15,907</u>	<u>104,100</u>
At 31 December 2008	<u>Nil</u>	<u>80,395</u>	<u>75,708</u>	<u>156,103</u>
At 31 December 2007	<u>Nil</u>	<u>98,118</u>	<u>211,482</u>	<u>309,600</u>

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**10 INTANGIBLE ASSETS - GROUP AND COMPANY**

	<b>Software £</b>
<b>COST</b>	
Balance at 1 January 2008	105,237
Acquisitions	3,964
	<hr/>
Balance at 1 January 2009	109,201
Acquisitions	1,800
	<hr/>
Balance at 31 December 2009	111,001
	<hr/>
<b>AMORTISATION AND IMPAIRMENT LOSSES</b>	
Balance at 1 January 2008	92,262
Amortisation for the year	8,268
	<hr/>
Balance at 1 January 2009	100,530
Amortisation for the year	4,973
	<hr/>
Balance at 31 December 2009	105,503
	<hr/>
<b>CARRYING AMOUNT</b>	
At 31 December 2009	5,498
	<hr/>
At 31 December 2008	8,671
	<hr/>
At 31 December 2007	12,975
	<hr/>
<b>AMORTISATION CHARGE</b>	

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

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**11 DEFERRED TAX ASSETS - GROUP AND COMPANY**

**RECOGNISED DEFERRED TAX ASSETS**

Deferred tax assets are attributable to the following

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Plant and equipment	22,629	48,687
Provisions	34,220	61,151
	<hr/>	<hr/>
Tax assets	56,849	109,838
	<hr/>	<hr/>
Deferred tax charge in the income statement	52,990	32,835
	<hr/>	<hr/>

**12 INVENTORIES – GROUP AND COMPANY**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Finished goods	720,100	770,469
Stock provision	(30,248)	(36,833)
	<hr/>	<hr/>
	689,852	733,636
	<hr/>	<hr/>

**13 TRADE AND OTHER RECEIVABLES**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade receivables due from other Group companies	115,814	115,814	158	158
Other trade receivables	3,654,429	3,654,429	4,429,989	4,429,989
Prepayments	149,980	149,980	115,572	115,572
	<hr/>	<hr/>	<hr/>	<hr/>
	3,920,223	3,920,223	4,545,719	4,545,719
	<hr/>	<hr/>	<hr/>	<hr/>

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**13 TRADE AND OTHER RECEIVABLES (CONTINUED)**

**OTHER TRADE RECEIVABLES**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Trade receivables	3,900,639	5,237,637
Rebates	-	(110,000)
Allowance for doubtful accounts	(246,210)	(697,648)
	<hr/>	<hr/>
	3,654,429	4,429,989
	<hr/>	<hr/>
Age distribution of accounts receivable		
Not due	1,713,741	1,736,120
1 – 30 days	1,376,741	1,914,751
30 – 60 days	505,886	844,479
60 – 90 days	98,719	420,978
Over 90 days	205,552	321,309
	<hr/>	<hr/>
	3,900,639	5,237,637
	<hr/>	<hr/>

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

**14 CASH AND CASH EQUIVALENTS**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank balances	1,204,796	1,204,796	2,189,344	2,189,344
	<hr/>	<hr/>	<hr/>	<hr/>

**15 TRADE AND OTHER PAYABLES**

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade payables due to Group companies	4,146	4,146	740,186	740,186
Other trade payables	1,211,100	1,211,100	1,439,805	1,439,805
Other taxes and social security costs	403,242	391,761	761,667	750,186
Non-trade payables due to Group companies	166,047	166,047	231,757	231,757
Non-trade payables and accrued expenses	373,336	373,336	773,389	773,389
	<hr/>	<hr/>	<hr/>	<hr/>
	2,157,871	2,146,390	3,946,804	3,935,323
	<hr/>	<hr/>	<hr/>	<hr/>

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**16 INTEREST-BEARING LOANS AND BORROWINGS – GROUP AND COMPANY**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Group cash pooling borrowings	-	336,896
	<u>          </u>	<u>          </u>

The company has access to the group's cash pooling facility and is charged or credited with interest on money borrowed or deposited within the facility

**17 PROVISIONS FOR OTHER LIABILITIES AND CHARGES – GROUP AND COMPANY**

	<b>Warranty provision £</b>
At 1 January 2009	269,524
Charged to the income statement	46,296
	<u>          </u>
At 31 December 2009	315,820
	<u>          </u>

Provisions for warranty costs reflect all known or anticipated claims in the near future which are not covered by insurance. The provision amounts are determined on the basis of experience and are therefore subject to a degree of uncertainty. The outflow of funds depends on the timing of the filing and conclusion of warranty claims.

## **SARNAFIL LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **18 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 2009 and 31 December 2008. The company monitors the equity ratio, which is equity divided by total capital.

**SARNAFIL LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**19 CAPITAL AND RESERVES – GROUP AND COMPANY**

**SHARE CAPITAL**

	<b>2009</b>	<b>2008</b>
£1 ordinary shares issued at 1 January and 31 December 2009	200,000	200,000

At 31 December 2009 the authorised and fully paid share capital comprised 200,000 £1 ordinary shares (2008 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 £7 per share (£1,400,000 (2008 £300,000) in total) 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 2009

Profits after tax of £1,622,156 are dealt with in the accounts of the holding company in respect of the year (2008 £1,032,960). No income statement is presented for the company as permitted by Section 408 Companies Act 2006

**20 MINORITY INTEREST**

The deficit in reserves of the subsidiary at 31 December 2009 and 2008 was £130,756 for both years. As a result of which, a full provision has been made against the minority interest balance. These financial statements are therefore only showing the minority interests in the share capital of the subsidiary.

**21 OPERATING LEASES – GROUP AND COMPANY**

**LEASES AS LESSEE**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	<b>2009 £</b>	<b>2008 £</b>
No later than one year	228,572	231,148
Later than one year and no later than five years	239,101	385,806
	<u>467,673</u>	<u>616,954</u>



# SARNAFIL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

### 22 RELATED PARTIES TRANSACTIONS

#### a) GROUP TRANSACTIONS

Transactions between the company and its subsidiary, which are related parties, have been eliminated on consolidation for the Group

Transactions between the company and other Group companies are shown below

Company	Nature of transaction	2009 £'000	2008 £'000
Sika AG	Dividend paid	(1,400)	(300)
	Interest received	1	-
	Interest paid	(14)	(53)
Sarnafil Inc	Material purchases	(105)	(105)
Sika Ltd	Revenue income	183	168
	Re-charges	(158)	(151)
	Group relief payment for losses relieved	(166)	-
Sika Supply Centre AG	Revenue income	12	-
	Material purchases	(14,984)	(16,342)
	Expenses	-	(16)
Sika Hong Kong	Revenue income	1	-
Sika Australia	Revenue income	2	-
Sika Vietnam	Revenue income	2	-
Sika Belgium	Revenue income	2	-
Sika Information Systeme AG	Expenses	(329)	(236)
Sika Services AG	Expenses	(357)	(290)
Sika Technology AG	License fees	(998)	(1,145)
Sika Ireland	Revenue income	11	22
Sika Spain	Expenses	(5)	(6)

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

Company	Amount owed to Sarnafil Ltd		Amount owed by Sarnafil Ltd	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Sika Ireland	1	-	(4)	(4)
Sika AG	-	-	(26)	232
Sika Ltd	53	-	279	33
Sika Supply Centre AG	33	-	4	711

## **SARNAFIL LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **22 RELATED PARTIES TRANSACTIONS (CONTINUED)**

##### **b) DIRECTORS**

Total remuneration as included in personnel expenses (see note 6)

	<b>Group 2009 £</b>	<b>Company 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2008 £</b>
Directors remuneration (including short term benefits of £11,630 (2008 £11,240))	118,122	118,122	140,530	140,530
Directors company pension contributions	6,953	6,953	6,953	6,953

The number of directors receiving pension contributions during the year was 1 (2008 1)

#### **23 GROUP ENTITIES**

##### **CONTROL OF THE GROUP**

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.

##### **SUBSIDIARY**

The subsidiary of the company is Sarnafil Roof Assured Limited. It is a 90.25% subsidiary and is incorporated in the UK.

#### **24 GUARANTEE**

The Group and company have a Duty Deferment Guarantee with H M Revenue and Customs for £50,000. This is in a bond placed with the tax authorities to enable the release of goods entering the UK. The actual settlement of the duty charges is made monthly in the normal course of business.

#### **25 POST BALANCE SHEET EVENTS**

Since the year end the trade and assets of the company have been transferred to Sika Limited, a fellow group company. All trading activities of the company will be performed by Sika Limited and the company will remain dormant for the foreseeable future.