Registered No 226822

Sika Limited

Report and Financial Statements

31 December 2007

Sika Limited

Registered No 226822

Directors
J L Vazquez
A Bleiber
C Ganz
RF Traechsel
Sika AG

Secretary
S Hales

Auditors
Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Bankers
HSBC Bank PLC
Howardsgate
Welwyn Garden City
Hertfordshire
AL8 6BH

Registered office
Watchmead
Welwyn Garden City
Hertfordshire
AL7 1BQ

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxation, amounted to £733,000 (2006 £685,000) Ordinary dividends of £600,000 (2006 £800,000) were paid during the year

Principal activities and review of the business

The company is engaged in the formulation, manufacture and marketing of speciality chemicals for construction, and adhesives and sealants for industry

The Construction Business Unit grew above the general market trend, which during the year slowed sharply, particularly in the area of repair and maintenance This is a key area of focus for the company and therefore did have an impact on some parts of the business

The industrial side of the business grew substantially, in spite of the significant retrenchment of the UK car industry during the year

Inflationary pressures from raw materials, energy and increasing transport costs also affected results as price increases did not fully recover the situation in the year It is expected that this will continue in 2008

Turnover increased by 17 5% in the year, largely due to volume movements, as the market resisted significant price increases This was offset by increases in cost of sales and net operating expenses of 24 9% and 5 3% respectively Staff costs increased by 8 7% despite a fall in headcount of 2 0% Net interest payable was slightly lower than the prior year The overall effect of these changes was a decrease in profit before tax of 6 2%

Principal risks and uncertainties

The effects of swings in the economy are minimised as much as possible because the company's core businesses are positioned to service not only new projects but also their repair and maintenance needs

Increases in the price of raw materials and energy are inevitably impacting profitability and it remains difficult to assess what the full financial effect on 2008 will be, however management carefully monitor movements in order to manage business impact as much as possible

The company consistently reviews its financial risk management and the directors believe that the company has minimal exposure to price, liquidity or cash flow risk Credit risk is managed through the setting of credit limits and close control of amounts due

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

Directors and their interests

The directors who served the company during the year were as follows

B Baggersgaard (resigned 28 February 2008)
A Bleibler (appointed 1 March 2008)
D L Bratt (resigned 5 June 2007)
R Farmer (resigned 28 February 2008)
C Ganz (appointed 1 March 2008)
P Laeng (resigned 28 February 2008)
RF Traechsel (appointed 1 March 2008)
J L Vazquez
M Zenhaeusern (appointed 1 January 2007, resigned 28 February 2008))
Sika AG (appointed 1 January 2007)

Directors' Report

Fixed assets
Movements in fixed assets are shown in note 11 to the accounts

Donations
Gifts for charitable purposes during the year amounted to £3,503 (2006 £1,494)

Disabled employees
The company gives full consideration to applications for employment from disabled persons where the candidate s particular aptitudes and abilities are consistent with adequately meeting the requirements of the job Opportunities are available to disabled employees for training, career development and promotion

Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim

Employee involvement
The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004 During the year, the policy of providing employees with information about the company and the group has been continued through 'Company Information Meetings in which employees have also been encouraged to present their suggestions and views on the company's performance Regular meetings are held between local management and employees to allow a free flow of information and ideas The company operates a bonus scheme based on a combination of corporate and personal objectives

Disclosure of information to the auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

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

Secretary

31st October 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 these 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 applicable accounting standards have been followed, 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 to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report
to the members of Sika Limited

We have audited the company's financial statements for the year ended 31 December 2007, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 financial statements

Independent auditors' report
to the members of Sika Limited

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Luton

31 October 2008

Profit and loss account
for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	48,453	41,253
Cost of sales	3	(32,895)	(26,325)
Gross profit		15,558	14,928
Net operating expenses	3	14,314	13,594
		1,244	1,334
Operating profit	4		
Bank interest receivable		39	24
Interest payable	7	(287)	(296)
Profit on ordinary activities before taxation		996	1,062
Tax on profit on ordinary activities	8	263	377
Profit retained for the financial year		733	685

Statement of total recognised gains and losses

There are no other recognised gains or losses for the year other than the profit of £733,000 (2006 profit £685,000), all of which are in respect of continuing operations

Balance sheet
at 31 December 2007

	Notes	*2007 £000*	*2006 £000*
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	4,169	4,091
Investments	12	-	-
		4,169	4,091
Current assets			
Stocks	13	4,710	3,290
Debtors	14	9,128	7,673
Cash at bank		1,821	1,736
		15,659	12,699
Creditors: amounts falling due within one year	15	8,055	6,115
Net current assets		7,604	6,584
Total assets less current liabilities		11,773	10,675
Creditors: amounts falling due in more than one year	16	5,196	4,151
Provisions for liabilities and charges	17	495	575
		6,082	5,949
Capital and reserves			
Called up share capital	19	3,000	3,000
Capital redemption reserve fund	20	2,308	2,308
Profit and loss account	20	774	641
Equity shareholders' funds	20	6,082	5,949

31st OCTOBER 2008

Director

Notes to the financial statements

at 31 December 2007

1 Accounting policies

Basis of preparation

The financial statements of Sika Limited were approved for issue by the Board of Directors on 30 October 2008

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent These financial statements therefore present information about the company as an individual undertaking and not about its group

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Related parties transactions

Since the company is a wholly owned subsidiary no disclosure is made of transactions with other members of the group, in accordance with the Financial Reporting Standard 8, Related Party Disclosures

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the company value may not be recoverable

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Freehold property	-	over 4 to 25 years
Plant & machinery	-	over 5 to 10 years
Motor vehicles	-	over 4 years
Computer and office equipment	-	over 3 to 6 years

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

Stocks

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

Notes to the financial statements
at 31 December 2007

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Revenue recognition
Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received, excluding discounts rebates, VAT and other sales taxes or duty Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customer, usually on dispatch of the goods

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Operating lease agreements
Rentals payable under operating leases are charged in the Profit and Loss Account on a straight-line basis over the lease term

Pension costs
The company operates a defined contribution pension scheme Contributions are charged in the Profit and Loss Account as they become payable in accordance with the rules of the scheme

Notes to the financial statements
at 31 December 2007

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 distribution of construction chemical products and adhesive products for general industry

An analysis of turnover by geographical market is given below

	2007	*2006*
	£000	*£000*
United Kingdom	44,680	37,720
Continental Europe and Ireland	3,743	3,433
Other	30	100
	48,453	41,253

3. Analysis of cost of sales and net operating expenses

	2007	*2006*
	£000	*£000*
Cost of sales	32,895	26,325
Selling and marketing	10,575	10,017
Administrative expenses	3 739	3,577
Net operating expenses	14,314	13,594

4 Operating profit
This is stated after charging/(crediting)

		2007	*2006*
		£000	*£000*
Auditors' remuneration	- Audit services	18	18
	- Non-audit services (taxation services)	14	15
		32	33
Depreciation of owned fixed assets		401	543
Rental income		(51)	(51)
Operating lease rentals	- Land and buildings	48	165
	- Other	517	118

Notes to the financial statements
at 31 December 2007

5. Staff costs

	2007 £000	2006 £000
Wages and salaries	6,724	6 161
Social security costs	697	631
Pension costs	492	453
Other costs	286	295
	8,199	7,540

The monthly average number of employees during the year was as follows

	2007 No	2006 No
Production staff	40	40
Selling and marketing staff	91	101
Administrative staff	25	18
	156	159

6. Directors' emoluments

	2007 £000	2006 £000
Emoluments	313	277
Value of company pension contributions to money purchase schemes	243	18

The amounts in respect of the highest paid director are as follows

	2007 £000	2006 £000
Emoluments	234	162
Value of company pension contributions to money purchase schemes	202	10

During 2007, £408,800 (2006 £nil) was payable to one Director as compensation for loss of office

7. Interest payable

	2007 £000	2006 £000
Group interest payable	287	296

Notes to the financial statements
at 31 December 2007

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £000	2006 £000
Current tax		
UK corporation tax	289	495
Adjustments in respect of prior periods	(105)	(10)
Total current tax (note 8(b))	184	485
Deferred tax		
Origination and reversal of timing differences	79	(108)
Tax on profit on ordinary activities	263	377

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are reconciled below

	2007 £000	2006 £000
Profit on ordinary activities before taxation	996	1,062
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2006 30%)	299	319
Disallowed expenses and non-taxable income	211	87
Capital allowances in excess of depreciation	(65)	15
Other timing differences	(156)	74
Adjustments in respect of prior periods	(105)	(10)
Total current tax (note 8(a))	184	485

(c) Deferred tax asset

	2007 £000	2006 £000
Depreciation in excess of capital allowances	(77)	(55)
Other timing differences	174	231
	97	176

	£000
At 1 January 2007	176
Profit and loss account movement arising during the year	(79)
At 31 December 2007	97

Notes to the financial statements
at 31 December 2007

9. Dividends

	2007 £000	2006 £000
Equity dividends on ordinary shares		
Interim dividends of 20p per share (2006 26 7p per share)	600	800

10. Intangible fixed assets

	Goodwill on Trocal £000	Goodwill on Armorex £000	Total £000
Cost			
At 1 January 2007 and 31 December 2007	446	310	756
Amortisation			
At 1 January 2007 and 31 December 2007	446	310	756
Net book value			
At 31 December 2007	-	-	-
At 1 January 2007	-	-	-

11. Tangible fixed assets

	Freehold Property £000	Plant & Machinery £000	Motor Vehicles £000	Computer & Office Equipment £000	Total £000
Cost					
At 1 January 2007	6,472	5,441	226	1,758	13,897
Additions	32	372	17	58	479
Disposals	-	-	-	-	-
At 31 December 2007	6,504	5,813	243	1,816	14,376
Depreciation					
At 1 January 2007	3,435	4,706	188	1,477	9,806
Provided during the year	125	147	16	113	401
Disposals	-	-	-	-	-
At 31 December 2007	3,560	4,853	204	1,590	10,207
Net book value					
At 31 December 2007	2,944	960	39	226	4,169
At 1 January 2007	3,037	735	38	281	4,091

Notes to the financial statements
at 31 December 2007

12. Investments

	2007 £	2006 £
Armorex Limited	1	1
Armorex Prima Limited	1	1
Armorex (Holdings) Limited	1	1
Sika Contracts Limited	2	2
Sika Technology Limited	2	2
	7	7

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

13 Stocks

	2007 £000	2006 £000
Raw materials	571	522
Work in progress	44	21
Finished goods	4,095	2,747
	4,710	3,290

14 Debtors

	2007 £000	2006 £000
Trade debtors	7,672	6,614
Amounts owed by group undertakings	906	573
Prepayments and accrued income	386	310
Corporation tax	67	-
Deferred taxation (Note 8)	97	176
	9,128	7,673

15 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	2,865	1,723
Amounts owed to group undertakings	2,389	1,910
Corporation tax	-	261
Other taxation and social security	1,006	924
Accruals and deferred income	1,795	1,297
	8,055	6,115

Notes to the financial statements
at 31 December 2007

16. Creditors. amounts falling due in more than one year

	2007 £000	2006 £000
Loan from group undertaking	5,196	4,151

17 Provisions for liabilities and charges

	Product Guarantee Provision £000
At 1 January 2007	575
Arising/released during the year	(57)
Utilised	(23)
At 31 December 2007	495

18. Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007		2006	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	-	121	59	145
In two to five years	-	329	-	419
After 5 years	-	-	-	-
	-	450	59	564

19. Share capital

	Authorised 2007 £000	Authorised 2006 £000
Ordinary shares of £1 each	10,000	10,000

	Allotted, called up and fully paid			
		2007		2006
	No	£000	No	£000
Ordinary shares of £1 each	3,000,000	3,000	3,000,000	3,000

Notes to the financial statements
at 31 December 2007

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital *£000*	*Capital redemption reserve* *£000*	*Profit and loss account* *£000*	*Total shareholders funds* *£000*
At 31 December 2005	3,000	2,308	756	6,064
Profit for the year	-	-	685	685
Dividend	-	-	(800)	(800)
At 31 December 2006	3,000	2,308	641	5,949
Profit for the year	-	-	733	733
Dividend	-	-	(600)	(600)
At 31 December 2007	3,000	2,308	774	6,082

21 Pension commitments
The company operates a money purchase scheme for the benefit of the directors and employees The assets of the scheme are administered by the trustees in a fund independent from those of the company

22. Ultimate parent company
The ultimate parent company is Sika AG, which is incorporated in Switzerland and is also the smallest and largest group of undertakings of which the company is a member and for which group accounts are drawn up Copies of the group accounts can be obtained from Zugerstrasse 50, CH-6341 Baar, Switzerland