

IOTECH LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008



Company Registration Number 3934114

Tenon Limited
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP

IOTECH LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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IOTECH LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors S H Sullivan
 A W Bleibler
 D W Carroll
 H Perrin De Brichambaut

Company secretary J Gregson

Business address Iotech House
 Miller Street
 Preston
 Lancashire
 PR1 1EA

Registered Office Iotech House
 Miller Street
 Preston
 Lancashire
 PR1 1EA

Auditors Tenon Audit Limited
 Registered Auditor
 Sumner House
 St Thomas's Road
 Chorley
 Lancashire
 PR7 1HP

Accountants Tenon Limited
 Sumner House
 St Thomas's Road
 Chorley
 Lancashire
 PR7 1HP

IOTECH LIMITED
THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors submit their report together with the audited financial statements for the year ended 31 December 2008.

Principal Activity and Business Review

The principal activity of the company is that of a holding company. The principal activities of the group are the manufacture and distribution of specialised coatings and resins.

During the course of the year the group continued to manufacture specialist coatings, speciality chemicals and resins. Total turnover grew by 10% with both margins and operating profit remaining at satisfactory levels.

Sales growth was particularly evident in the USA and European operations.

At the year end the group had shareholders' funds of £14.2m including distributable profits of £7.6m. The directors therefore believe the group's position to be satisfactory especially as the group's current assets exceeded its current liabilities by £6.0m.

The directors have assessed the main risks facing the group as increased competition from traditional roofing companies seeking to enter the liquid roofing market and the increasing complexity of the regulatory framework that governs the chemical industry and the costs associated with compliance to that framework, with the competitive threat from less regulated areas of the world remaining high.

The directors will seek to mitigate these threats through the application of research and development to maintain technological advantage.

The directors hope to see continued growth and satisfactory trading results in 2009.

Results and Dividends

The profit on the ordinary activities of the group before taxation for the year amounted to £3,992,000 (2007: £2,520,000). After deducting tax, the profit of £3,258,000 (2007: £1,508,000) has been transferred to reserves.

The directors do not recommend the payment of a dividend.

Financial risk management objectives and policies

The group and company finance their operations through a mixture of retained profits and, where necessary to fund expansion or capital expenditure programmes, through bank borrowings.

The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;
- minimise the group and company's exposure to fluctuating interest rates when seeking new borrowings; and
- match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the group and company's trading activities.

IOTECH LIMITED
THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Financial risk management objectives and policies *(continued)*

Hedge accounting is not used by the group and company.

Where appropriate, the group and company's funds are held primarily in short term variable rate deposit accounts. The directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the financial markets as they arise. All deposits are with reputable United Kingdom, United States of America and Belgian banks and the directors believe their choice of bank minimises any risk associated with placing funds in a deposit with such banks.

The group and company's borrowings are in variable and fixed interest loans. The fixed interest loans eliminate any cash flow risk associated with changing interest rates. The directors believe the loss of ability to take advantage of falls in interest rates is more than offset by the certainty of knowing their financial commitments when managing the group and company's trading activities.

Directors

The directors who served during the year were as follows:

R L Gorick
M J Gorick
J D Gorick
S H Sullivan

R L Gorick retired as a director on 27 January 2009
J D Gorick retired as a director on 27 January 2009
M J Gorick retired as a director on 27 January 2009
A W Bleibler was appointed as a director on 2 March 2009
D W Carroll was appointed as a director on 2 March 2009
H Perrin De Brichambaut was appointed as a director on 2 March 2009

Research and development

The group has a research and development programme for both new products and markets and the improvement of existing products. The group's policy is to write off research and development expenditure in the year in which it is incurred.

Employment of Disabled Persons

The group recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist. Where employees become disabled in the course of their employment, every effort is made to provide them with continuing employment.

Employee Involvement

During the year management have had a policy of providing employees with information about the group. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Post balance sheet event

On 27 January 2009, the acquisition of the group by Sika AG was finalised.

Since the year end, the properties held by the group were transferred via a dividend in specie to the former shareholders of Iotech Limited.

IOTECH LIMITED
THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Directors' Responsibilities

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 the group and of the profit or loss of the group for that period. In preparing those 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 and the group 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 group and company and 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.

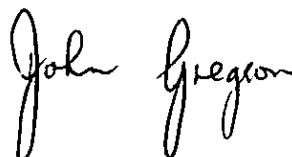
In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and subsidiary companies' websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Registered office:
Iotech House
Miller Street
Preston
Lancashire
PR1 1EA

Signed by order of the directors



J Gregson
Company Secretary

Approved by the directors on 15 April 2009

IOTECH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2008

We have audited the group and parent company financial statements ("the financial statements") of Iotech Limited on pages 7 to 27 for the year ended 31 December 2008. 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 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 auditor

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 group and 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.

IOTECH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2008

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 group's and company's affairs as at 31 December 2008 and of the group's 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.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
Sumner House
St Thomas's Road
Chorley
Lancashire
PR7 1HP

Date: *22 April 2009*

IOTECH LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
Turnover	2		40,732		37,089
Cost of Sales			<u>(18,278)</u>		<u>(17,597)</u>
Gross profit			22,454		19,492
Distribution costs			(5,117)		(3,808)
Administrative expenses					
- normal		(15,276)		(13,358)	
- exceptional	3	<u>1,788</u>	<u>(13,488)</u>	<u>(160)</u>	<u>(13,518)</u>
Other operating income			<u>401</u>		<u>622</u>
Operating profit	4		4,250		2,788
Interest receivable			16		10
Interest payable	7		<u>(274)</u>		<u>(278)</u>
Profit on ordinary activities before taxation			3,992		2,520
Tax on profit on ordinary activities	8		<u>(734)</u>		<u>(1,012)</u>
Profit for the financial year	21		<u>3,258</u>		<u>1,508</u>

All of the activities of the group are classed as continuing.

IOTECH LIMITED

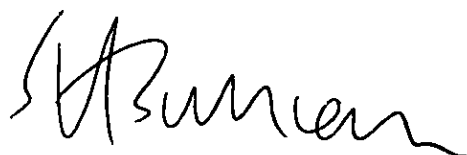
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

	Year ended 31 December 2008 £'000	<i>Year ended 31 December 2007 £'000</i>
Profit for the financial year attributable to the shareholders	3,258	1,508
Currency translation differences on foreign currency net investments	(215)	201
Total recognised gains and losses relating to the financial year	<u>3,043</u>	<u>1,709</u>

IOTECH LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Intangible assets	9		337		316
Tangible assets	10		8,926		7,927
			<u>9,263</u>		<u>8,243</u>
Current assets					
Stocks	13	3,882		3,625	
Debtors	14	7,704		7,764	
Cash at bank and in hand		<u>1,530</u>		<u>893</u>	
		13,116		12,282	
Creditors					
Amounts falling due within one year	15	<u>(7,116)</u>		<u>(7,874)</u>	
Net current assets			<u>6,000</u>		<u>4,408</u>
Total assets less current liabilities			15,263		12,651
Creditors					
Amounts falling due after more than one year	16		(652)		(1,132)
Provisions for Liabilities and Charges					
Deferred taxation	19		<u>(437)</u>		<u>(388)</u>
			<u>14,174</u>		<u>11,131</u>
Capital and reserves					
Called up share capital (rounded)	20		1		1
Other reserve	21		6,542		6,542
Capital reserve	21		1		1
Profit and loss account	21		<u>7,630</u>		<u>4,587</u>
Shareholders' funds	22		<u>14,174</u>		<u>11,131</u>

These financial statements were approved by the directors on 15 April 2009 and are signed on their behalf by:



S H Sullivan
Director

IOTECH LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Investments	11		9,366		9,351
Current assets					
Cash at bank and in hand		4		-	
Creditors					
Amounts falling due within one year	15	<u>(3,070)</u>		<u>(3,013)</u>	
Net current liabilities			<u>(3,066)</u>		<u>(3,013)</u>
Total assets less current liabilities			6,300		6,338
			<u>6,300</u>		<u>6,338</u>
Capital and Reserves					
Called up share capital (rounded)	20		1		1
Other reserve	21		6,542		6,542
Profit and loss account	21		<u>(243)</u>		<u>(205)</u>
Shareholders' funds	22		<u>6,300</u>		<u>6,338</u>

These financial statements were approved by the directors on 15 April 2009 and are signed on their behalf by:



S H Sullivan
Director

IOTECH LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Cash inflow from operating activities	23	3,734	3,806
Returns on investments and servicing of finance	24	(258)	(234)
Taxation		(791)	(540)
Capital expenditure	24	(1,135)	(984)
Financing	24	(279)	(322)
Increase in cash in the year	25	1,271	1,726
Reconciliations of net cash flow to movement in net debt		£'000	£'000
Increase in cash in the year		1,271	1,726
Cash outflow from decrease in debt		279	322
New hire purchase agreements		-	30
Movement in net debt in the year		1,550	2,078
Exchange differences		-	(30)
Net debt at 1 January 2008	25	(1,739)	(3,787)
Net debt at 31 December 2008	25	(189)	(1,739)

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. Principal Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and all of its subsidiary undertakings made up to the balance sheet date. The results of subsidiary undertakings are included in the group financial statements from their effective date of acquisition or up to their effective date of disposal.

The company is exempt from the requirement to present its own profit and loss account under the provisions of Section 230 of the Companies Act 1985.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the group has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

Goodwill

Goodwill, which represents the excess cost of acquisitions of businesses over the fair value attributed to their net assets, is amortised through the profit and loss account by equal instalments over its estimated useful economic life up to a maximum of 20 years. Goodwill previously eliminated against reserves has not been reinstated and will only be charged to the profit and loss account on the subsequent disposal of any business to which it is related.

Intangible Fixed Assets

Intangible fixed assets (including product registration licences and trademarks) are amortised over their estimated useful lives being no more than 10 years.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents purchase price together with any incidental costs of acquisition. All fixed assets are initially recorded at cost.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The principal annual rates and methods used are:

Freehold buildings	2% straight line
Long leasehold properties	20% straight line
Plant and equipment	12.5 – 20% reducing balance
Motor vehicles	25% straight line
Fixtures and fittings	2 – 15% reducing balance or 12.5 – 20% straight line

Freehold land is not depreciated.

IOTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. Principal Accounting Policies *(continued)*

Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating Leases

All other leases held are operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Fixed Asset Investments

Fixed asset investments are stated at valuation. Profits or losses arising from disposals of fixed asset investments are treated as part of the profit from ordinary activities.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of production overheads, where applicable.

Deferred Taxation

Deferred taxation is calculated under the liability method at the appropriate rate of tax in respect of all timing differences between profits as computed for tax purposes and profits as stated in the financial statements.

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 future reversal of 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.

Foreign Currencies

Transactions denominated in foreign currencies are translated at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies which are included in the balance sheet are translated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit on ordinary activities.

The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. The profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Exchange adjustments arising from the translation of opening balance sheets are taken to reserves.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. Principal Accounting Policies *(continued)*

Pension Costs

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group or the company after deducting all of its liabilities.

2. Turnover

The turnover and operating profit for the year was derived from the group's principal activities.

	Group	
	31 December 2008	31 December 2007
	£'000	£'000
The geographical analysis of turnover is as follows:		
United Kingdom	21,705	23,000
Europe	10,507	7,355
USA	6,629	4,667
Rest of the World	1,891	2,067
	<u>40,732</u>	<u>37,089</u>

3. Exceptional Administrative Expenses

	Group	
	2008	2007
	£'000	£'000
Exceptional foreign exchange gain/(loss)	<u>1,788</u>	<u>(160)</u>

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

4. Operating Profit

The operating profit is stated after charging or (crediting):

	Group	
	31 December	31 December
	2008	2007
	£'000	£'000
Hire of plant and machinery – operating leases	185	189
Other operating lease rentals	340	334
Auditors' remuneration		
Fees payable to the entity's auditor for the audit of the entity's accounts	6	6
Fees payable to the entity's auditor and its associates for other services		
- the audit of the entity's subsidiaries pursuant to legislation	23	22
- other services pursuant to legislation	-	2
- other services relating to taxation	7	7
Depreciation – owned assets	912	875
Depreciation – assets on hire purchase	7	8
Exceptional foreign exchange (gain)/loss	(1,788)	160
Profit on disposal of fixed assets	(7)	(46)
Amortisation of intangible fixed assets	54	43
	<u> </u>	<u> </u>

5. Directors and Employees

Staff costs during the year were as follows:

	Group	
	31 December	31 December
	2008	2007
	£'000	£'000
Wages and salaries	11,136	9,916
Social security costs	1,303	1,184
Other pension costs	444	426
	<u> </u>	<u> </u>
	<u>12,883</u>	<u>11,526</u>

The group made payments totalling £444,000 (2007: £426,000) to defined contribution pension schemes, the assets of which are held in independently administered funds. The pension cost charge represents the total contributions payable to the funds.

The average monthly number of employees, including directors, during the year was as follows:

	Group	
	31 December	31 December
	2008	2007
	Number	Number
Office and management	60	61
Production	107	100
Sales and marketing	134	116
	<u> </u>	<u> </u>
	<u>301</u>	<u>277</u>

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

6. Directors' Remuneration

Remuneration in respect of directors of Iotech Limited was all paid by subsidiary companies and was as follows:

	Group	
	31 December 2008 £'000	31 December 2007 £'000
Emoluments	781	1,089
Payments to defined contribution pension scheme	18	6
	<u>799</u>	<u>1,095</u>

Remuneration in respect of the highest paid director was as follows:

	Group	
	31 December 2008 £'000	31 December 2007 £'000
Total emoluments excluding pension contributions	272	406
Payment to defined contribution pension scheme	18	-
	<u>290</u>	<u>406</u>

The number of directors accruing retirement benefits was as follows:

	Group	
	31 December 2008 Number	31 December 2007 Number
Money purchase schemes	<u>1</u>	<u>1</u>

7. Interest Payable

	Group	
	31 December 2008 £'000	31 December 2007 £'000
On bank overdrafts and loans	167	184
On loan notes	50	60
Other similar charges	57	34
	<u>274</u>	<u>278</u>

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

8. Tax On Profit On Ordinary Activities

(a) Analysis of tax charge in the year

	Group 31 December 2008 £'000	31 December 2007 £'000
Based on the profit for the period:		
Corporation tax at 28% (2007: 30%)	712	884
(Over)/under provision in prior year	(27)	104
	685	988
Deferred tax:		
Origination and reversal of timing differences	49	24
	734	1,012

(b) Factors affecting current tax charge

The current tax assessed for the year is lower than (2007: higher than) tax on the profit for the year at the standard rate of tax applicable to the group of 28%. The difference is explained below.

	31 December 2008 £'000	31 December 2007 £'000
Profit on ordinary activities before taxation	3,992	2,520
Tax on the profit before tax at the standard rate of corporation tax in the UK of 28% (2007: 30%)	1,118	756
Tax effect of:		
Expenses not deductible for tax purposes	58	139
Difference between capital allowances and depreciation	13	(12)
Research and Development deduction	(40)	(41)
Foreign subsidiaries tax losses (utilised)/carried forward	(437)	40
Adjustments to the tax charge in respect of prior years	(27)	104
Losses carried forward	-	2
Current tax charge for the year	685	988

(c) Factors affecting future tax charge

The group's wholly owned United States subsidiaries have tax losses at the U.S. tax rate to carry forward amounting to £1,900,000 (2007: £2,300,000).

The group's wholly owned Belgium subsidiary has estimated tax losses to carry forward amounting to £42,000 (2007: £300,000)

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

9. Intangible Fixed Assets

Group	Software £'000	Goodwill £'000	Product Registration Licences and Trademarks £'000	Total £'000
Cost				
At 1 January 2008	59	1,318	393	1,770
Additions	9	-	60	69
Exchange rate adjustments	6	-	-	6
At 31 December 2008	74	1,318	453	1,845
Amortisation				
At 1 January 2008	38	1,318	98	1,454
Charge for the period	14	-	40	54
At 31 December 2008	52	1,318	138	1,508
Net Book Value				
At 31 December 2008	22	-	315	337
At 31 December 2007	21	-	295	316

10. Tangible Fixed Assets

Group	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2008	6,168	5,074	1,166	2,021	14,429
Additions	132	646	199	174	1,151
Disposals	-	-	(258)	(35)	(293)
Exchange rate adjustments	1,048	540	39	69	1,696
At 31 December 2008	7,348	6,260	1,146	2,229	16,983
Depreciation					
At 1 January 2008	1,569	2,875	722	1,336	6,502
Charge for the period	190	419	144	166	919
Eliminated on disposals	-	-	(183)	(32)	(215)
Exchange rate adjustments	413	358	36	44	851
At 31 December 2008	2,172	3,652	719	1,514	8,057
Net book value					
At 31 December 2008	5,176	2,608	427	715	8,926
At 31 December 2007	4,599	2,199	444	685	7,927

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

10. Tangible Fixed Assets *(continued)*

Land and Buildings

	Group
	31 December
	2008
	£'000
Freehold land and buildings	4,716
Long leasehold properties	460
	<u>5,176</u>
	<u>4,599</u>

Hire purchase agreements

Included within the net book value of £8,926,000 is £15,375 (2007: £31,926) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £6,589 (2007: £8,401).

11. Fixed Asset Investments

Company	Subsidiary undertakings £'000
At valuation	
At 1 January 2008	10,591
Additions	15
At 31 December 2008	<u>10,606</u>
Amounts written off	
At 1 January 2008	1,240
Written off in year	-
At 31 December 2008	<u>1,240</u>
Net book value	
At 31 December 2008	<u>9,366</u>
At 31 December 2007	<u>9,351</u>

IOTECH LIMITED

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12. Principal Fixed Asset Investments

The company holds more than 20% of the share capital of the following:

Name	Class of share	Proportion held	Nature of business
<i>Subsidiary undertakings:</i>			
Liquid Plastics Limited	Ordinary	100%	Manufacture of specialised coatings
Incorez Limited (formerly Industrial Copolymers Limited)	Ordinary	100%	Development & manufacture of resins
Pentagon Plastics NV (incorporated in Belgium) *	Ordinary	100%	Distribution of specialised coatings
Liquid Plastics, Inc. (incorporated in USA)	Capital stock	100%	Manufacture of specialised coatings
LPI Properties LLC (incorporated in USA)	Membership interests	100%	Real estate
Iotech Properties, Inc. (incorporated in USA)	Capital stock	100%	Real estate
Incorez Corporation (incorporated in USA)	Capital stock	100%	Manufacture of resins
Liquid Plastics FZCO *	Ordinary	100%	Distribution of specialised coatings
Liquid Plastics (Asia Pacific) Limited *	Ordinary	100%	Distribution of specialised coatings

* owned by Liquid Plastics Limited

The company's voting rights in respect of each subsidiary undertaking are held in the same proportion as the company's share of the ordinary share capital of each subsidiary.

Unless otherwise stated, the above companies have been incorporated in England & Wales. All companies operate in the country in which they were incorporated.

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13. Stocks

	Group	
	31	31
	December	<i>December</i>
	2008	<i>2007</i>
	£'000	<i>£'000</i>
Raw materials	1,765	1,580
Finished goods	2,117	2,045
	<u>3,882</u>	<u>3,625</u>

14. Debtors

	Group		Company	
	31	31	31	31
	December	<i>December</i>	December	<i>December</i>
	2008	<i>2007</i>	2008	<i>2007</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Trade debtors	7,137	7,407	-	-
Prepayments	171	196	-	-
Other debtors	100	82	-	-
Directors' loan accounts	296	79	-	-
	<u>7,704</u>	<u>7,764</u>	<u>-</u>	<u>-</u>

15. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	31	31	31	31
	December	<i>December</i>	December	<i>December</i>
	2008	<i>2007</i>	2008	<i>2007</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Bank overdrafts	1	635	-	-
Bank Loan	1,058	858	-	-
Trade creditors	1,724	1,775	-	-
Amounts owed to group undertakings	-	-	3,062	3,006
Corporation tax	782	889	-	-
Other taxation and social security	703	805	-	-
Directors' loan accounts	-	32	-	-
Other creditors	32	37	-	-
Accruals	2,808	2,836	8	7
Obligations under hire purchase agreements	8	7	-	-
	<u>7,116</u>	<u>7,874</u>	<u>3,070</u>	<u>3,013</u>

The group overdraft facility is repayable on demand.

There is an unlimited cross guarantee between Liquid Plastics Limited and Incorez Limited (formerly Industrial Copolymers Limited), which are group undertakings, in respect of bank borrowings totalling £446,000 (2007: £1,269,000).

IOTECH LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2008

16. Creditors: Amounts Falling Due After More Than One Year

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Bank loans	640	1,114	-	-
Obligations under hire purchase agreements	12	18	-	-
	<u>652</u>	<u>1,132</u>	<u>-</u>	<u>-</u>

Bank loans to Liquid Plastics Limited and Incorez Limited (formerly Industrial Copolymers Limited) are secured by a composite accounting agreement dated 8 November 2002.

Bank loans to Pentagon Plastics NV (incorporated in Belgium) and LPI Properties LLC (incorporated in USA) are secured over properties owned by the respective companies.

17. Analysis Of Borrowings By Year Of Repayment

Loans and overdrafts falling due for repayment:

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Within one year	1,059	1,493	-	-
Between one and two years	261	330	-	-
Between two and five years	379	784	-	-
	<u>1,699</u>	<u>2,607</u>	<u>-</u>	<u>-</u>

Bank loans are payable as follows:

Liquid Plastics Limited's loan was repaid on 7 January 2009. The rate of interest, which was linked to LIBOR, was at 8.05% until reduced to 7.49% in August 2008.

LPI Properties, LLC's loan is payable in monthly instalments up to November 2011 bearing interest at a fixed rate of 7.9% for the next four years. Pentagon Plastics NV's loans are repayable in monthly instalments over the next three years at interest rates ranging from 4.2% to 6.0%.

IOTECH LIMITED

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17. Analysis Of Borrowings By Year Of Repayment (*continued*)

Obligations under financing agreements falling due for repayment:-

	Group		Company	
	31	31	31	31
	December	<i>December</i>	December	<i>December</i>
	2008	<i>2007</i>	2008	<i>2007</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Within one year	8	7	-	-
Between one and two years	9	8	-	-
Between two and five years	3	10	-	-
	<u>20</u>	<u>25</u>	<u>-</u>	<u>-</u>

All assets held under hire purchase or finance lease agreements are secured on the assets concerned.

18. Derivatives

The group holds financial instruments that qualify as derivatives in order to manage its interest rates.

At the year end, the group had bank loans amounting to £1,698,000 (2007: £1,972,000) which have fixed interest rates ranging from 4.2% to 7.49%

Included in the above amount is a loan amounting to £445,000 (2007: £585,000). The rate of interest, which was linked to LIBOR, was at 8.05% until reduced to 7.49% in August 2008. The loan was repaid on 7 January 2009.

A further loan amounting to £378,000 (2007: £341,000) is fixed until 2011 at a rate of 7.9% when the interest rate will be adjusted.

The directors have been unable to establish the fair value for the fixed interest, the derivative element, of these loans.

19. Deferred Taxation

Deferred taxation provided for in the financial statements is set out below and is calculated using a tax rate of 28% (2007: 30%).

	Group	Group
	31	31
	December	<i>December</i>
Amount provided	2008	<i>2007</i>
	£'000	<i>£'000</i>
Accelerated capital allowances	<u>437</u>	<u>388</u>

The movement during the year is set out below:

At 1 January 2008	388	364
Movement in the year	<u>49</u>	<u>24</u>
At 31 December 2008	<u>437</u>	<u>388</u>

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FOR THE YEAR ENDED 31 DECEMBER 2008

19. Deferred Taxation (*continued*)

The provision for deferred taxation consists of the tax effect of timing differences of:

	Group 31 December 2008 £'000	<i>Group 31 December 2007 £'000</i>
Excess of taxation allowances over depreciation on fixed assets	<u>437</u>	<u>388</u>

The group's wholly owned United States subsidiaries have deferred tax assets amounting to £574,000 (2007: £454,000). These deferred tax assets have not been included in the consolidated financial statements as in the opinion of the directors they are uncertain as to the timing of the recoverability of these assets.

20. Share Capital

Group and Company

	31 December 2008 £	<i>31 December 2007 £</i>
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

21. Reserves

Group	Capital reserve £'000	Other reserve £'000	Profit and loss account £'000
At 1 January 2008	1	6,542	4,587
Profit for the year	-	-	3,258
Exchange gains	-	-	(215)
At 31 December 2008	<u>1</u>	<u>6,542</u>	<u>7,630</u>

Company	Other reserve £'000	Profit and loss account £'000
At 1 January 2008	6,542	(205)
Loss for the year	-	(38)
At 31 December 2008	<u>6,542</u>	<u>(243)</u>

IOTECH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

21. Reserves (continued)

Group	31 December 2008 £'000	31 December 2007 £'000
The profit/(loss) for the financial year is dealt with in the financial statements of:		
The company	(38)	(30)
Subsidiary undertakings	3,296	1,538
	<u>3,258</u>	<u>1,508</u>

22. Reconciliation Of The Movement In Shareholders' Funds

Group	31 December 2008 £'000	31 December 2007 £'000
Profit for the year	3,258	1,508
Other recognised gains and losses relating to the year	(215)	201
Other adjustment	-	(1)
Net movement in shareholders' funds	<u>3,043</u>	<u>1,708</u>
Opening shareholders' funds	<u>11,131</u>	<u>9,423</u>
Closing shareholders' funds	<u>14,174</u>	<u>11,131</u>

Company	31 December 2008 £'000	31 December 2007 £'000
Loss for the year	(38)	(30)
Net movement in shareholders' funds	<u>(38)</u>	<u>(30)</u>
Opening shareholders' funds	<u>6,338</u>	<u>6,368</u>
Closing shareholders' funds	<u>6,300</u>	<u>6,338</u>

23. Cash Flow From Operating Activities

	Group 31 December 2008 £'000	31 December 2007 £'000
Operating profit	4,250	2,788
Depreciation and amortisation charges	973	926
Profit on disposal of fixed assets	(7)	(46)
Increase in stocks	(257)	(395)
Decrease in debtors	60	192
(Decrease)/increase in creditors	(219)	247
Exchange differences	<u>(1,066)</u>	<u>94</u>
	<u>3,734</u>	<u>3,806</u>

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24. Gross Cash Flows

	Group	
	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Returns on investments and servicing of finance		
Interest received	16	10
Interest paid	(274)	(244)
Net cash outflow for returns on investments and servicing of finance	(258)	(234)
Capital expenditure		
Purchase of intangible fixed assets	(69)	(183)
Purchase of tangible fixed assets	(1,151)	(877)
Proceeds from the sale of tangible fixed assets	85	76
Net cash outflow for capital expenditure	(1,135)	(984)
Financing		
Loan repayments	(274)	(317)
Capital repayments of hire purchase agreements	(5)	(5)
Net cash outflow from financing activities	(279)	(322)

25. Analysis of Changes In Net Debt

	At 1 January 2008 £'000	Cash Flows £'000	Non-cash movements and exchange differences £'000	At 31 December 2008 £'000
Cash at bank and in hand	893	637	-	1,530
Overdrafts	(635)	634	-	(1)
	258	1,271	-	1,529
Loans due in less than one year	(858)	274	(474)	(1,058)
Loans due in more than one year	(1,114)	-	474	(640)
Obligations under hire purchase	(25)	5	-	(20)
	(1,997)	279	-	(1,718)
	(1,739)	1,550	-	(189)

IOTECH LIMITED

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26. Control

The company was under the ultimate control of its directors throughout the year and the previous year.

27. Commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	Group	
	31	31
	December	December
	2008	2007
	£'000	£'000
Leases of land and buildings which expire:		
- between one and five years	15	16
	<u>15</u>	<u>16</u>
Leases of plant which expire:		
- within one year	29	49
- between one and five years	216	198
- after five years	124	64
	<u>369</u>	<u>311</u>

28. Related Party Transactions

Included within creditors are amounts owed to directors. At the year end, the group, through Liquid Plastics Limited, owed R L Gorick £nil (2007: £31,951).

Included within debtors are amounts owed by the directors. At the year end, M J Gorick owed the group, through Liquid Plastics Limited, £72,167 (2007: £78,567). The maximum balance owed by M J Gorick during the year was £78,567. Interest is charged on the loan at 5% per annum. The movement in the year relates to cash repaid/advanced during the year.

Also included within debtors as amounts owed by the directors is £109,825 (2007: £nil) owed by M J Gorick, £109,825 (2007: £nil) owed by J D Gorick and £4,483 (2007: £nil) owed by R L Gorick. These balances relate to private expenses paid for by the group, through Liquid Plastics Limited, and were the maximum balances outstanding during the year. No interest is charged on these balances.

Since the year end, all amounts owed by the directors to the group have been repaid.

During the year the group paid rent of £133,888 (2007: £136,216) for property rented from Liquid Plastics No 2 Pension Scheme.

29. Post Balance Sheet Events

On 27 January 2009, the acquisition of the group by Sika AG was finalised.

Since the year end, the properties held by the group were transferred via a dividend in specie to the former shareholders of Iotech Limited.