

Scapa UK Limited

**Directors' Report and
Financial Statements**

For the year ended 31 March 2007

Company number: 3261510



Directors' report and financial statements

Directors

I A Baxter (appointed 29 March 2007)
C J O'Connor (appointed 29 March 2007)
D C Sherwin (appointed 30 March 2007)
C I C Smith
M R Sturzaker (appointed 23 May 2006)
J A Taylor (resigned 13 October 2006)
A D Woodward (appointed 30 March 2007)

Secretary

I A Baxter (resigned 23 May 2006)
M R Sturzaker (appointed 23 May 2006)

Registered office

Manchester Road,
Ashton Under Lyne
Greater Manchester
OL7 0ED

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

The Royal Bank of Scotland plc	HSBC plc
38 Mosley Street	60 Church Street
Manchester	Blackburn
M60 2BE	Lancashire
	BB1 5AS

Company number 326151

Directors' report for the year ended 31 March 2007

Financial statements

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

Directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each accounting period which give a true and fair view of the state of affairs of the company as at the end of the accounting period and of the profit or loss 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 will continue in business

The directors are responsible for ensuring that proper accounting records are kept 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 taking reasonable steps to safeguard the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of the business

The company's principal activity is the manufacture of adhesive foams and specialist tapes.

During the year the company divested of its sealants and compounds operations to focus on its core activities of adhesive foams and specialist tapes. The combined consideration of £21.7m gave rise to a profit on disposal after costs of £12.3m. The proceeds of the divestments were principally used to repay intercompany borrowings and to strengthen the company's financial position. Further details can be found in note 5.

In respect of the remaining core operations the company reported an operating loss from continuing operations of £2.2m. This result is stated after non-recurring items of fixed asset impairment and redundancy costs totalling £1.3m. The underlying result reflects the continuing improvement in performance of our core operations. Consequently, despite reporting an operating loss for the year the directors remain confident that the outlook for the company remains positive.

The customer service improvement measures introduced during 2005/6 have, despite the internal disruption caused by the divestment process, continued to improve year on year. The increased focus on our remaining core activities should further strengthen our ability to respond to our customers' needs in a proactive and efficient manner.

The significant pressures on raw material and energy prices experienced during 2005/6 appear to have stabilised as the year has progressed. Management have placed a heavy emphasis on maintaining and, where possible, improving margins. Corresponding volumes have, through a sustained sales effort, continued to improve consistently throughout the year. Management remain confident that these actions place the business on a stronger basis for future periods.

Cost control and rationalisation continue to be a key focus of management. Following the divestments made during the year further reductions in our central and operational cost base have, and will continue to be made, to align the overhead structure to the needs of the remaining activities going forward. The management team will continue to address the requirement to become ever more competitive and efficient and to ensure the business returns to sustained profitability.

Directors' report for the year ended 31 March 2007 (continued)

Pensions will continue to present challenges for the company for the foreseeable future. In a reverse of the trend seen in recent years the FRS17 pension deficit on the defined benefit programs has reduced by £5.0m to £21.6m as a result of the performance of scheme investments and changes to assumptions underlying the present value of liabilities. The company, in conjunction with Scapa Group management, will continue to work closely with the scheme's trustees to address the future obligations of the schemes.

Despite the continual changes happening with the company, our staff continue to show tremendous commitment, determination and dedication to enable us to maintain a positive momentum. On behalf of the company, the directors would like to thank all our employees for their efforts.

Basis of preparation and going concern

Despite reporting net liabilities and an operating loss for the financial year the directors remain confident for the future prospects of the company. However, in order for us as directors to approve the accounts we are required to consider the ability of the company to continue in operation and be able to meet financial obligations for the foreseeable future. In order for the directors to satisfy themselves of the future viability of the company the following assurances have been obtained from our parent, Scapa Group plc:

- Scapa Group intends to continue to purchase products from the UK factories for distribution by its overseas affiliates, and
- the balances owing between Scapa UK Limited and fellow Group companies will not be required to be re-paid in such manner that may jeopardise Scapa UK Limited's abilities to meet ongoing liabilities.

Consequently, with the continued support of Scapa Group plc, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Results and dividends

The profit after taxation for the year amounted to £9,567,000 (2006 – loss £1,014,000).

The directors do not recommend the payment of a dividend (2006 - £nil).

The profit of £9,567,000 (2006 – loss £1,014,000) has been transferred to reserves.

Directors

The directors during the year and to the date of this report were as follows:

I A Baxter (appointed 29 March 2007)
C J O'Connor (appointed 29 March 2007)
D C Sherwin (appointed 30 March 2007)
C I C Smith
M R Sturzaker (appointed 23 May 2006)
J A Taylor (resigned 13 October 2006)
A D Woodward (appointed 30 March 2007)

At no time in the year have there been any contracts or arrangements of significance entered into by the company in which a director has a significant interest.

Directors' report for the year ended 31 March 2007 (continued)

Payment of creditors

The company sets its terms of payment in accordance with its conditions of order. All suppliers fulfilling these conditions of order will be paid in accordance with the terms of payment agreed. Other suppliers will be paid in accordance with contractual terms as agreed from time to time in the absence of a formal order. The average days' supplier payment at the year-end was 45 days (2006 – 45 days)

Employees and employment policies

Information concerning employees and their remuneration is given in Note 20 and 21

It is company policy to ensure that employees are aware of their individual roles and responsibilities and are informed about the trading performance and progress of the company

The company recognises the essential contribution made by its employees and, by encouraging progressive involvement and full use of individual skills, promotes the fulfilment of their potential in improving their own and corporate performance

Complementing these arrangements designed for specific purposes are the established institutions such as team briefings and permanent consultative committees. Prominent amongst the latter are the health and safety committees, monitoring work-place procedures and practices, providing safety awareness, and contributing to effective responses to the growing body of health and safety legislation

It is company policy that the disabled continue to receive consideration for employment equal to that given to the able-bodied, taking account of their particular abilities and job requirements. Every possible effort is made to maintain continuity of employment for existing employees who become disabled

Auditors and disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment as auditors of the company will be proposed at the Annual General Meeting

Approved by order of the Board



M R Stirzaker
Company Secretary
4 June 2007

Independent auditors' report to the members of Scapa UK Limited

We have audited the financial statements of Scapa UK Limited for the year ended 31 March 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 judgments 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.

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 March 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
4 June 2007

Scapa UK Limited

Profit and loss account

For the year ended 31 March 2007

	2007 Before exceptional items £'000	2007 Exceptional items (note 5) £'000	2007 Total £'000	2006 Before exceptional items £'000	2006 Exceptional items (note 5) £'000	2006 Total £'000
TURNOVER						
Continuing operations	39,889	-	39,889	36,215	-	36,215
Discontinued operations	17,923	-	17,923	26,801	-	26,801
	57,812	-	57,812	63,016	-	63,016
OPERATING COSTS	(58,660)	(1,276)	(59,936)	(64,467)	883	(63,584)
OPERATING LOSS						
Continuing operations	(882)	(1,276)	(2,158)	(1,736)	1,083	(653)
Discontinued operations	34	-	34	285	(200)	85
	(848)	(1,276)	(2,124)	(1,451)	883	(568)
Profit on disposal of discontinued operations	-	12,297	12,297	-	-	-
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	(848)	11,021	10,173	(1,451)	883	(568)
Net interest (payable) / receivable	(415)	-	(415)	77	-	77
Other finance costs (note 22)	(787)	-	(787)	(523)	-	(523)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(2,050)	11,021	8,971	(1,897)	883	(1,014)
Taxation	596	-	596	-	-	-
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	(1,454)	11,021	9,567	(1,897)	883	(1,014)

There is no material difference between the reported and historical cost results of the company

Statement of total recognised gains and losses

For the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Profit / (loss) for the year	17,18	9,567	(1,014)
Actuarial gain / (loss) of pension schemes	22	5,205	(9,330)
TOTAL RECOGNISED PROFIT / (LOSSES) FOR THE YEAR SINCE LAST ANNUAL REPORT		14,772	(10,344)

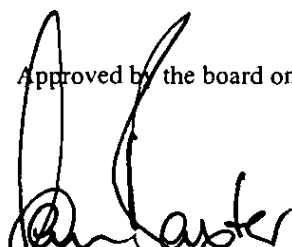
Scapa UK Limited

Balance sheet

As at 31 March 2007

	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	9	6,580	14,671
Investments	10	1,500	1,500
		<u>8,080</u>	<u>16,171</u>
CURRENT ASSETS			
Stocks	11	3,851	5,530
Debtors	12	17,182	22,291
Cash at bank and in hand		6,238	-
		<u>27,271</u>	<u>27,821</u>
CREDITORS: amounts falling due within one year	13	<u>(9,894)</u>	<u>(35,615)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>17,377</u>	<u>(7,794)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,457</u>	<u>8,377</u>
CREDITORS: amounts falling due after more than one year	14	(10,582)	(3,283)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(936)	(936)
NET ASSETS EXCLUDING PENSION LIABILITY		13,939	4,158
PENSION LIABILITY	22	<u>(21,561)</u>	<u>(26,552)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(7,622)</u>	<u>(22,394)</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Share premium account	17	11,946	11,946
Profit and loss account	17	<u>(19,568)</u>	<u>(34,340)</u>
EQUITY SHAREHOLDERS' DEFICIT	18	<u>(7,622)</u>	<u>(22,394)</u>

Approved by the board on 4 June 2007


Director

The notes on pages 7 to 19 form part of these financial statements

Notes to the financial statements

1 Basis of preparation

The accounts have been prepared on a going concern basis, under the historic cost convention in accordance with the Companies Act 1985 and applicable accounting standards in the UK. A summary of the principal accounting policies, which have been applied consistently throughout the year, are set out below

2 Accounting policies

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value added tax, rebates and discounts. Revenue is recognised as follows

(a) Sale of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, and when the Company has no continuing managerial involvement nor effective control over the goods. Sales are recognised at the point of despatch of goods to the customer

(b) Rebate income

Rebate income recognised on a receipts basis

(c) Interest income

Interest income is recognised on an accruals basis

Research and development

Expenditure incurred on the development of new products and the cost of normal research work is charged against the profits of the year in which such expenditure or cost is incurred. Plant and equipment acquired for this purpose is included within fixed assets and written off over its expected useful life

Fixed asset investments

In the accounts of the company, shares in subsidiary undertakings are stated at cost less provisions for any impairment in value

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Freehold buildings and long leasehold land and buildings	-	over 40 years
Short leasehold land and buildings	-	over primary period of lease
Plant, fixtures and vehicles	-	between 5 and 15 years
Computer systems and software	-	between 3 and 5 years

Goodwill

Purchased goodwill arising on acquisitions since 1 April 1998 is capitalised. Goodwill is amortised to nil on a straight-line basis over its estimated economic life, not exceeding 10 years. In accordance with the requirements of FRS 10, goodwill is reviewed for evidence of impairment at the end of the first full financial year following the initial date of recognition

Impairment reviews

Where circumstances indicate that there may have been an impairment of the carrying value of a tangible or intangible fixed asset, an impairment review is carried out using value-in-use cash flows from Board-approved budgets, and projections discounted at the company's weighted average cost of capital of 9.5%. The value of the impairment is included in arriving at operating loss

Scapa UK Limited

Leased assets

Items of plant, fixtures and vehicles subject to finance leases are shown as fixed assets and depreciated as indicated above. The corresponding liability for the capital element is recorded as a loan and the interest element, which is calculated on the basis of the amount of the loan outstanding, is charged against profits over the primary lease period. The rental costs of all other leased assets are charged against profits on a straight line basis over the lease term.

Stocks

Stocks have been valued at the lower of cost and net realisable value on a first-in, first-out basis. Cost includes the cost of materials together with labour and appropriate overheads.

Taxation

The charge for taxation is based on the taxable profits and losses for the year and also takes into account deferred taxation. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax assets are only recognised to the extent that their recoverability is regarded as more likely than not. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying net investment hedges.

Pension costs

i) Defined Benefit Pension Schemes

For defined benefit schemes, the cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time, are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The balance sheet includes the surplus/deficit in schemes, taking assets at their year-end market values and liabilities at their actuarially-calculated values, discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

ii) Defined Contribution Pension Schemes

Amounts charged in respect of defined contribution schemes represent the contributions payable in the year.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of Scapa Group plc and consequently is exempt from publishing a cash flow statement under FRS1 (revised 1996). A consolidated cash flow statement is included in the financial statements of that Scapa Group plc.

Scapa UK Limited

3 Segmental information

	2007 Continuing operations £'000	2007 Discontinued operations £'000	2007 Total £'000	2006 Continuing operations £'000	2006 Discontinued operations £'000	2006 Total £'000
Turnover by destination – continuing operations						
External						
Home	15,170	5,078	20,248	14,893	6,835	21,728
Export	14,110	10,182	24,292	11,919	16,362	28,281
Total external	29,280	15,260	44,540	26,812	23,197	50,009
Intra-group						
Export	10,609	2,663	13,272	9,403	3,604	13,007
	39,889	17,923	57,812	36,215	26,801	63,016

The amounts shown as turnover represent the amounts receivable for goods and services provided in the UK and overseas, net of trade discounts, value added tax and other related taxes. Turnover by origin and net assets are all attributed to UK operations.

Further analysis of turnover between geographical markets is not provided, as, in the opinion of the directors, such disclosure would seriously prejudice the company's interests.

No analysis is provided of turnover between the different classes of business, as, in the opinion of the directors, such disclosure would seriously prejudice the company's interests.

4 Operating loss

	Note	2007 Continuing operations £'000	2007 Discontinued operations £'000	2007 Total £'000	2006 Continuing operations £'000	2006 Discontinued operations £'000	2006 Total £'000
Turnover	3	39,889	17,923	57,812	36,215	26,801	63,016
Cost of sales		(33,191)	(14,144)	(47,335)	(31,111)	(20,874)	(51,985)
Gross profit		6,698	3,779	10,477	5,104	5,927	11,031
Distribution costs		(1,316)	(860)	(2,176)	(1,195)	(1,345)	(2,540)
Administrative expenses		(7,697)	(2,885)	(10,582)	(8,724)	(4,497)	(13,221)
Other operating income							
- Government grants		157	-	157	162	-	162
- Intercompany debt forgiven by parent company		-	-	-	4,000	-	4,000
Operating loss		(2,158)	34	(2,124)	(653)	85	(568)

Research and development expenditure, which is charged in the profit and loss account as incurred, amounted to £778,000 (2006 - £1,034,000). The reduction resulting from the disposal of operations detailed in note 5.

Scapa UK Limited

4 Operating loss (continued)

This is stated after charging

	2007 £'000	2006 £'000
Depreciation of owned fixed assets	1,800	2,344
Auditors' remuneration	47	47
Operating lease rentals		
- Plant and machinery	425	543
- Land and buildings	1,027	1,043
	1,452	1,586

5 Exceptional items

As a result of restructuring and cost reduction programme the following non recurring exceptional items were included within the stated operating loss

	2007 £'000	2006 £'000
- Redundancy costs	(423)	(483)
- Impairment of tangible fixed assets	(853)	(1,080)
- Impairment of intangible fixed assets	-	(1,554)
- Intercompany debt forgiven by parent company	-	4,000
	(1,276)	883

Profit on disposal of discontinued operations

On 13 October 2006 the company completed the disposal of its Megolon compounding operations for a consideration of £16,795,000, giving rise to a profit on disposal after costs of £9,716,000

On 9 February 2007 the company completed the disposal of its sealant operations for a consideration of £4,910,000, giving rise to a profit on disposal after costs of £2,581,000

The tax effect in the profit and loss account relating to the sale of discontinued operations is nil

6 Net interest (payable) / receivable

	2007 £'000	2006 £'000
Interest payable on bank overdrafts	(187)	(18)
Interest (payable) / receivable – from group undertakings	(240)	44
Interest receivable – external	12	51
	(415)	77

Scapa UK Limited

7 Taxation

Analysis of tax credit in the year

	2007 £'000	2006 £'000
United Kingdom Corporation tax at 30% (2006 30%)		
Current UK Corporation tax credit on losses for year	384	-
Prior year adjustment to group relief	212	-
Tax credit on loss on ordinary activities	596	-

The tax credit assessed for the year is lower than the standard rate of Corporation Tax in the UK (30%) The differences are explained below

	2007 £'000	2006 £'000
Profit / (loss) on ordinary activities before tax	8,971	(1,014)
Tax charge / (credit) on ordinary activities at 30% (2006 30%)	2,691	(304)
<i>Effect of</i>		
Expenses not deductible for tax purposes	290	1,055
Income not subject to tax	-	(1,200)
Accelerated capital allowances	324	532
Prior year adjustment to group relief	(212)	-
Utilisation of losses on profit on disposal of operations	(3,689)	(83)
Tax credit on profit / (loss) on ordinary activities	(596)	-

Any future profits are expected to be taxed at a rate lower than the standard rate due to the availability of tax losses.

On 21 March 2007, the Chancellor of the Exchequer announced that the standard rate of corporation tax in the UK would be reduced from 30% to 28% with effect from 1 April 2008. As this reduction has not been enacted or substantially enacted at the balance sheet date, the effect of the proposed changes has been disclosed but not recognised in the financial statements. There would be no impact on the Company's results.

8 Intangible assets

	£'000
Goodwill	
Cost	
As at 31 March 2007 and 31 March 2006	2,269
Amortisation	
As at 31 March 2007 and 31 March 2006	(2,269)
Net book value as at 31 March 2007 and 31 March 2006	-

Following an impairment review of the company's investments in its subsidiary undertakings, in accordance with FRS11 Impairment of Fixed Assets and Goodwill, an impairment provision of £1,554,000 was reflected in the company's accounts for the year ended 31 March 2006.

Scapa UK Limited

9 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant, fixtures and vehicles £'000	Assets in course of construction £'000	Total £'000
Cost					
As at 1 April 2006	1,960	3,820	33,262	595	39,637
Additions	-	-	475	121	596
Disposals	(1,960)	(3)	(15,743)	(57)	(17,763)
Brought into use	-	-	323	(323)	-
As at 31 March 2007	-	3,817	18,317	336	22,470
Depreciation					
As at 1 April 2006	833	1,929	21,984	220	24,966
Charge for the period	40	163	1,597	-	1,800
Impairment	-	-	853	-	853
Disposals	(873)	(3)	(10,853)	-	(11,729)
As at 31 March 2007	-	2,089	13,581	220	15,890
Net book value as at 31 March 2007	-	1,728	4,736	116	6,580
Net book value as at 31 March 2006	1,127	1,891	11,278	375	14,671

The company has no assets acquired under finance leases

Capital Commitments

At 31 March 2007 the company was committed to capital expenditure of £nil (2006 - £nil)

10 Investments

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	Holding	Proportion of voting rights held	Nature of business	Total £'000
Boldscope Limited	Ordinary shares	100%	Dormant company	
Cable Components Limited	Ordinary shares	100%	Dormant company	
Cost				
As at 31 March 2007 and 31 March 2006				2,642
Provision for impairment				
As at 31 March 2007 and 31 March 2006				(1,142)
Net book value as at 31 March 2007 and 31 March 2006				1,500

Scapa UK Limited

11 Stocks

	2007 £'000	2006 £'000
Raw materials and consumables	1,134	2,062
Work in progress	1,063	1,003
Finished goods	1,654	2,465
	<u>3,851</u>	<u>5,530</u>

12 Debtors

	2007 £'000	2006 £'000
Trade debtors	6,880	10,466
Amounts due from parent undertaking	7,077	6,101
Amounts due from other Group undertakings	1,704	4,529
Group relief receivable	596	-
Other debtors	673	863
Prepayments and accrued income	252	332
	<u>17,182</u>	<u>22,291</u>

Of the amounts due from Parent and other Group undertakings £5,654,000 (2006 £750,000) is receivable after more than one year

13 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdraft	-	1,037
Trade creditors	4,466	7,407
Amounts due to parent undertaking	1,070	6,921
Amounts owed to other Group undertakings	1,826	16,696
Group relief payable	-	707
Other taxes and social security costs	257	394
Other creditors	835	630
Accruals and deferred income	1,440	1,823
	<u>9,894</u>	<u>35,615</u>

14 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts owed to Group undertakings	9,205	1,500
Deferred government grants	1,377	1,783
	<u>10,582</u>	<u>3,283</u>

Scapa UK Limited

15 Provisions for liabilities and charges

	Dilapidations and reinstatement £'000
As at 1 April 2006	936
Profit and loss account	-
Utilised during the year	-
As at 31 March 2007	936

Dilapidations and reinstatement

The company leases a number of its properties and in certain instances the company is required to complete dilapidation and reinstatement work before the end of the tenancy. The amount shown above represents the company's best estimate of the expected obligation arising from the reinstatement of the property, accrued in full.

Deferred taxation

No deferred tax asset has been recognised in respect of pension liabilities, tax losses and capital allowances. The full potential deferred tax asset at the Corporation Tax rate of 30% is as follows:

	Note	2007 £'000	2006 £'000
Deferred tax asset:			
Pension liabilities	22	(6,468)	(7,966)
Depreciation in excess of capital allowances		(903)	(579)
Losses		(758)	(1,044)
Short term timing differences		-	-
		(8,129)	(9,589)

16 Share capital

Authorised			2007 £	2006 £
Ordinary shares of £1 each			100	100
Allotted, called up and fully paid	2007 No	2006 No.	2007 £	2006 £
Ordinary shares of £1 each	2	2	2	2

17 Reserves

	Share premium £'000	Profit and loss account £'000
At 1 April 2006 as previously reported	11,946	(34,340)
Actuarial gains on pension scheme	-	5,205
Profit for the year	-	9,567
As at 31 March 2007	11,946	(19,568)

Scapa UK Limited

18 Reconciliation of movements in equity shareholders' funds

	2007 £'000	2006 £'000
Profit / (loss) for the financial year after taxation transferred to reserves	9,567	(1,014)
Other recognised gains and losses relating to the year	5,205	(9,330)
Opening equity shareholders' funds	(22,394)	(12,050)
Closing equity shareholders' funds	(7,622)	(22,394)

19 Financial commitments

Operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land & buildings		Plant, fixtures & vehicles	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Expiry date				
Within one year	20	34	85	63
Between two and five years	70	34	268	180
In over five years	1,030	1,030	2	-
	1,120	1,098	355	243

20 Directors' emoluments

The emoluments of the directors for their services to the company were

	2007 £'000	2006 £'000
All directors		
Aggregate emoluments	218	250
Highest paid director		
Aggregate emoluments	149	134
Defined benefit pension scheme		
Accrued pension at end of year	15	12

Retirement benefits are accruing to three (2006 two) directors under the defined benefit scheme

Mr C J O'Connor, Mr M R Stirzaker and Mr D C Sherwin received no remuneration for their services to the company. The emoluments of Mr C J O'Connor are disclosed in the report and accounts of Scapa Group plc

Scapa UK Limited

21 Employees

(a) Number of employees

The average number of persons, including directors, employed by the company during the year was

	2007 No.	2006 No.
Number of employees	441	526

(b) Employment costs

	Note	2007 £'000	2006 £'000
Wages and salaries		11,723	13,228
Social security costs		1,106	1,272
Other pension costs	21	1,324	1,115
		14,153	15,615

In addition to the above, the company incurred costs of £423,000 (2006 £483,000) on redundancies and compensation payments as part of a rationalisation of the overhead structure

Scapa UK Limited

22 Pension schemes

The company operates several defined benefit and defined contribution schemes for employees in the UK and overseas

UK Pension Schemes

(a) Defined contribution scheme

The company operates a number of defined contribution schemes in the UK. Employer's contributions are charged to the profit and loss account as incurred. The total pension cost for the company in respect of these schemes for the year ended 31 March 2007 was £205,000 (2006 £227,000)

(b) Defined benefit schemes

The company operates three defined benefit schemes and, as permitted by FRS 17, Retirement Benefits, disclosure has been aggregated for all the schemes. The UK defined benefit schemes are funded by contributions from members as defined in the scheme rules, and by the employing company at a rate assessed by the scheme actuary as sufficient to meet the balance of costs determined following the triennial fund reviews. The assets of the schemes are held separately from company assets under Trust. The charge to operating profit in the year for UK schemes was £1,119,000 (2006 £888,000)

The FRS 17 Retirement Benefits valuations have been updated by the scheme actuaries, in order to assess the liabilities of the schemes at 31 March 2007. The last actuarial valuations were performed in April 2003 by Buck Consultants and Barnett Waddingham, each using the projected unit method as the basis of their valuations. Scheme assets are stated at their market value at 31 March 2007.

The financial assumptions used to calculate scheme liabilities under FRS 17 for the UK defined benefit schemes are as follows

	2007	2006	2005
Discount rate	5.3%	5.0%	5.4%
Salary increases per annum	3.9%	3.8%	3.5%
Price inflation per annum	3.1%	3.0%	2.8%
Increases to pensions in payment	2.3% - 3.5%	3.0%	2.8% - 3.0%
Increases to deferred pensions	3.0%	3.0%	2.8%

The market value of assets in the schemes at the balance sheet date, and the expected rates of return and the present value of the scheme liabilities at each balance sheet date are as follows

	At 31 March 2007		At 31 March 2006		At 31 March 2005	
	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m
Equities	7.8%	21,462	7.8%	22,255	8.0%	18,077
Bonds	5%	13,849	5%	7,522	4.8% - 5.5%	5,016
Other	4.4% - 4.5%	8,445	4.4% - 4.5%	12,207	4.5%	8,625
Total market value of assets		43,756		41,984		31,718
Present value of scheme liabilities		(65,317)		(68,536)		(49,642)
Net deficit in the schemes		(21,561)		(26,552)		(17,924)
Net pension liability		(21,561)		(26,552)		(17,924)

Scapa UK Limited

22 Pension schemes (continued)

The following amounts have been recognised in the profit and loss account and statement of total recognised gains and losses for the year ended 31 March 2007 in respect of the company's defined benefit schemes

	2007 £'000	2006 £'000
Profit and loss account		
- current service cost	1,119	888
Total charge to operating profit	1,119	888
Other finance costs		
- expected return on pension scheme	2,613	2,141
- interest on pension scheme liabilities	(3,400)	(2,664)
Net finance cost	(787)	(523)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	15	6,225
Experience gains / (losses) arising on scheme liabilities	2,903	(2,477)
Changes in assumptions underlying the present value of scheme liabilities	2,287	(13,078)
Net actuarial gain (loss) recognised in the statement of total recognised gains and losses	5,205	(9,330)
Movement in deficit pre deferred tax during the year		
Net deficit in schemes at beginning of year	(26,552)	(17,924)
Movement in year		
- current service cost	(1,119)	(888)
- contributions	1,692	2,113
- net finance cost	(787)	(523)
- actuarial gain / (loss)	5,205	(9,330)
Net deficit in schemes at end of year	(21,561)	(26,552)

	2007 £'000	2006 £'000	2005 £'000
Details of experience (gains) and losses			
Difference between the expected and actual return on scheme assets			
- Amount (£'000)	15	6,225	107
- Percentage of scheme assets	0.0%	14.8%	0.3%
Experience gains / (losses) on scheme liabilities			
- Amount (£'000)	2,903	(2,477)	(1,521)
- Percentage of scheme liabilities	4.4%	(3.6%)	(3.1%)
Total amount recognised in statement of total recognised gains and losses			
- Amount (£'000)	5,205	(9,330)	(2,898)
- Percentage of scheme liabilities	8.0%	(13.6%)	(5.8%)

23 Ultimate parent company

The ultimate parent company is Scapa Group plc, which is the only company that includes the results of the company in its consolidated financial statements. Copies of the group financial statements may be obtained from

Scapa Group Plc
Manchester Road
Ashton Under Lyne
Greater Manchester
OL7 0ED

24 Related party transactions

The ultimate controlling party is Scapa Group plc. In accordance with the exemptions available under Financial Reporting Standard Number 8 "Related party transactions", the company has not disclosed transactions with other companies within the group, as the consolidated financial statements of Scapa Group plc, in which the company is included, are available at the address shown above.

There were no other related party transactions.

25 Contingent liability

The company participates in a cross-guarantee arrangement with the ultimate holding company and certain fellow subsidiary undertakings in respect of a group overdraft facility. As at 31 March 2007, the amounts drawn down under the group overdraft facility amounted to £425,681 (2006: £2,570,826).