

Scapa UK Limited

**Directors' Report and
Financial Statements**

31 March 2004

Company number: 3261510



Scapa UK Limited

Directors' report and financial statements

Directors

I Cooper resigned 30 April 2003
C I C Smith
B Smith appointed 30 April 2003
M D Hartley appointed 30 April 2003, resigned 17 May 2004

Secretary

I A Baxter

Registered office

Humphrys Road
Woodside Industrial Estate
Dunstable
Bedfordshire
LU5 4TP

Auditors

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

Bankers

HSBC plc
60 Church Street
Blackburn
Lancashire
BB1 5AS

Directors' report for the year ended 31 March 2004

Financial statements

The directors present their report and audited financial statements for the year ended 31 March 2004.

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 continues to be the manufacture of adhesive foams, compounds, sealants and specialist tapes.

The company completed the implementation of the structural cost reduction programme involving the consolidation of a number of sites. As part of that programme, exceptional operating charges of £3,692,000 (2003 - £3,192,000) have been incurred relating to the consolidation of sites in the year ended 31 March 2004. These charges principally relate to the costs of moving and recommissioning plant and machinery, project management costs, redundancies and impairment of fixed assets.

Scapa UK Limited has undergone significant change over the last three years during the implementation of the structural cost reduction programme. The company is now well positioned to focus on sales growth utilising its lower and more efficient cost base. Despite reporting net liabilities, resulting primarily from the adoption of FRS17 Retirement Benefits, and an operating loss for the financial year the directors remain confident for the future prospects of the company and consequently, with the continued support of Scapa Group plc, believe it is appropriate to prepare the financial statements on a going concern basis.

Results and dividends

The comparatives for the year ended 31 March 2003 have been restated following the adoption of FRS 17 and the effect of this restatement is set out in note 21.

The loss after taxation for the year amounted to £3,281,000 (2003 – restated loss £2,835,000).

The directors recommend a dividend of £nil to be paid (2003 - £nil).

The loss of £3,281,000 (2003 – restated loss £2,835,000) has been transferred from reserves.

Future developments

The directors intend to continue the management policies of innovation and development.

Scapa UK Limited

Directors' report for the year ended 31 March 2004 (continued)

Directors

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

C I C Smith

I Cooper resigned 30 April 2003

M D Hartley appointed 30 April 2003, resigned 17 May 2004

B Smith appointed 30 April 2003

Directors' interests in shares

The directors who held office at 31 March 2004 had no interest in the shares of the company and had the following interests in the shares of the ultimate parent company at the end of the financial period:

	5p ordinary shares fully paid		Options to acquire 5p ordinary shares	
	31 March 2004	31 March 2003	31 March 2004	31 March 2003
C I C Smith	-	-	15,500	15,500
B Smith	-	-	185,500	185,500
M D Hartley	-	-	91,042	91,042

Directors' executive share options

	Options held at 31 March 2004 and 31 March 2003			Date Options Exercisable
	Options granted during year	Number	Option Price (pence)	
B Smith	-	80,000	171	up to August 2009
		80,000	139	Up to June 2010
		8,000	94.5	Up to July 2011
		17,500	49	Up to June 2012
C I C Smith	-	8,000	94.5	Up to July 2011
		7,500	49	Up to June 2012
M D Hartley	-	40,000	171	Up to August 2009
		40,000	139	Up to June 2010
		4,000	94.5	Up to July 2011

During the year no executive share options were exercised and no executive share options lapsed.

Directors' Sharesave share options

	Options held at 31 March 2004 and 31 March 2003			Date Options Exercisable
	Options granted during year	Number	Option Price (pence)	
M D Hartley	-	7,042	0.47	1.9.07 - 28.2.08

During the year no Sharesave share options were exercised and no Sharesave share options lapsed.

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 2004 (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 85 days (2003 – 77 days).

Employees and employment policies

Information concerning employees and their remuneration is given in Note 19.

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

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

Approved by order of the Board on 28 September 2004.



I Baxter
Secretary

Scapa UK Limited

Independent auditors' report to the members of Scapa UK Limited

Independent auditors' report to the members of Scapa UK Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes which have been prepared under the accounting policies set out in note 1 of the related notes to the financial statements.

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 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

28 September 2004

Scapa UK Limited

Profit and loss account

For the year ended 31 March 2004

	Note	2004 £'000	2003 (restated) £'000
TURNOVER	2	65,368	58,931
OPERATING COSTS	3	(69,217)	(62,153)
OPERATING LOSS	3	(3,849)	(3,222)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(3,849)	(3,222)
Net interest receivable	4	63	290
Other finance costs	21	(453)	59
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,239)	(2,873)
Taxation	5	958	38
RETAINED LOSS FOR THE FINANCIAL YEAR	15, 16	(3,281)	(2,835)

The above results are derived from continuing operations. Following the acquisition of the trade and assets of Medifix Adhesive Products Limited and Boldscope Limited on 1 April 2003, the business and assets were transferred and integrated into the company's existing operations. Whilst it is possible to identify the turnover arising from the acquired businesses (£6,049,000 for the year ended 31 March 2004), it is not possible, due to the integrated nature of processes and shared costs, to separately identify the operating profit / (loss) for the acquired businesses.

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 2004

	Note	2004 £'000	2003 (restated) £'000
Loss for the year		(3,281)	(2,835)
Actuarial gain / (loss) of pension schemes		168	(11,166)
TOTAL RECOGNISED LOSSES FOR THE YEAR		(3,113)	(14,001)
Prior year adjustment	16	(15,322)	
TOTAL LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(18,435)	

Scapa UK Limited

Balance sheet

As at 31 March 2004

	Note	2004 £'000	2003 (restated) £'000
FIXED ASSETS			
Intangible assets	6	1,780	1,992
Tangible assets	7	17,813	15,575
Investments	8	1,500	1,500
		<u>21,093</u>	<u>19,067</u>
CURRENT ASSETS			
Stocks	9	5,454	4,385
Debtors	10	17,221	19,042
Cash at bank and in hand		2,242	3,628
		<u>24,917</u>	<u>27,055</u>
CREDITORS: amounts falling due within one year	11	<u>(33,151)</u>	<u>(31,331)</u>
NET CURRENT LIABILITIES		<u>(8,234)</u>	<u>(4,276)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,859</u>	<u>14,791</u>
CREDITORS: amounts falling due after more than one year	12	(3,065)	(1,500)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(335)	(1,058)
		<u>(3,400)</u>	<u>(2,558)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		9,459	12,233
NET PENSION LIABILITY		<u>(15,369)</u>	<u>(15,030)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(5,910)</u>	<u>(2,797)</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium account	15	11,946	11,946
Profit and loss account	15	<u>(17,856)</u>	<u>(14,743)</u>
EQUITY SHAREHOLDERS' FUNDS	16	<u>(5,910)</u>	<u>(2,797)</u>

Approved by the board on 28 September 2004



C I C Smith
Director

The notes on pages 7 to 20 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. A summary of the Company's principal accounting policies is set out below. These have been applied consistently throughout the year with the exception of FRS 17 Retirement Benefits, which has been adopted during the year to 31 March 2004. The comparatives for the year ended 31 March 2003 have been restated following the adoption of FRS 17 and the effect of this restatement is set out in note 21.

Turnover

The amounts shown as turnover represent the invoiced value of products net of allowances and excluding value added tax. Turnover is recognised at the point of despatch of goods to the customer.

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
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 cash flows from approved budgets, and projections discounted at the company's weighted average cost of capital.

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.

Scapa UK Limited

1 Accounting policies (continued)

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

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 translated into sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pension costs

As noted above, FRS 17 Retirement Benefits has been adopted during the year to 31 March 2004, replacing SSAP24, as early adoption is encouraged by the standard.

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

The financial statements do not include a cash flow statement as the company is a wholly owned subsidiary of Scapa Group plc, a company registered in England and Wales. A consolidated cash flow statement is included within the consolidated financial statements of that company.

Scapa UK Limited

2 Segmental information

	2004 £'000	2003 £'000
Turnover by destination – continuing operations		
External		
Home	20,193	22,939
Export	28,249	25,898
Total external	48,442	48,837
Intra-group		
Export	10,877	10,094
	59,319	58,931
	2004 £'000	2003 £'000
Turnover by destination – acquisitions		
External		
Home	3,654	-
Export	1,969	-
Total external	5,623	-
Intra-group		
Export	426	-
	6,049	-
	2004 £'000	2003 £'000
Turnover by destination – total		
External		
Home	23,847	22,939
Export	30,218	25,898
Total external	54,065	48,837
Intra-group		
Export	11,303	10,094
	65,368	58,931

The above results are derived from continuing operations and from the acquisition of the trade and assets of Medifix Adhesive Products Limited and Boldscope Limited on 1 April 2003.

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.

Scapa UK Limited

3 Operating loss

	Note	2004 £'000	2003 (restated) £'000
Turnover	2	65,368	58,931
Change in stocks of finished goods and work in progress		425	(519)
Own work capitalised		83	99
Raw materials and consumables		(34,338)	(29,659)
Other external charges		(6,479)	(6,296)
		(40,309)	(36,375)
Depreciation:			
- owned fixed assets	7	(1,695)	(1,592)
- assets under finance leases	7	(202)	(202)
Amortisation of intangible fixed assets	6	(226)	(225)
Government grants		35	-
Operating lease rentals:			
- plant and machinery		(607)	(571)
- land and buildings		(1,086)	(726)
Director and employee costs	18,19	(16,405)	(15,563)
Auditors' remuneration		(42)	(40)
Other operating charges:			
- other operating charges		(4,988)	(3,667)
- structural cost reduction programme		(3,692)	(3,192)
		(69,217)	(62,153)
Operating loss		(3,849)	(3,222)

Research and development expenditure, which is charged in the profit and loss account as incurred, amounted to £969,000 (2003 - £732,000).

During the financial year ended 31 March 2004 the company continued with the restructuring of its operations and the implementation of a structural cost reduction programme involving the consolidation of a number of sites. As part of that programme, exceptional operating charges of £3,692,000 (2003 - £3,192,000) have been incurred relating to the consolidation of sites in the year ended 31 March 2004. These charges principally relate to the costs of moving and recommissioning plant and machinery, project management costs, redundancies and impairment of fixed assets.

4 Net interest receivable

	2004 £'000	2003 £'000
Interest payable on bank overdrafts	(25)	(343)
Interest receivable - from group undertakings	35	38
Interest receivable - external	53	595
	63	290

Scapa UK Limited

5 Taxation

Analysis of tax charge in the year

	2004 £'000	2003 (restated) £'000
United Kingdom Corporation tax at 30% (2003: 30%):		
Current UK Corporation tax credit on losses for year	-	-
Deferred tax credit	(958)	(38)
Tax credit on loss on ordinary activities	(958)	(38)

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

	2004 £'000	2003 (restated) £'000
Loss on ordinary activities before tax	(4,239)	(2,873)
Tax credit on ordinary activities at 30% (2003: 30%)	(1,272)	(862)
<i>Effect of:</i>		
Expenses not deductible for tax purposes	314	824
Deferred taxation	958	38
Current tax credit for the year	-	-

6 Intangible assets

	Note	£'000
Goodwill		
Cost		
As at 1 April 2003		2,255
Additions during the year	20	14
As at 31 March 2004		2,269
Amortisation		
As at 1 April 2003		263
Charge for the period		226
As at 31 March 2004		489
Net book value at 31 March 2004		1,780
Net book value at 31 March 2003		1,992

Goodwill is being amortised over the directors' estimate of its useful economic life of 10 years.

Scapa UK Limited

7 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold 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 2003	2,549	1,586	507	36,241	3,970	44,853
Additions	-	-	-	1,221	3,525	4,746
Inter group additions	35	-	-	3,026	-	3,061
Disposals	(624)	(1,586)	-	(7,846)	-	(10,056)
Brought into use	-	-	2,174	670	(2,844)	-
As at 31 March 2004	1,960	-	2,681	33,312	4,651	42,604
Depreciation						
As at 1 April 2003	1,005	482	507	27,284	-	29,278
Charge for the period	59	31	134	1,673	-	1,897
Inter group additions	35	-	-	1,701	-	1,736
Disposals	(374)	(513)	-	(7,233)	-	(8,120)
As at 31 March 2004	725	-	641	23,425	-	24,791
Net book value as at 31 March 2004	1,235	-	2,040	9,887	4,651	17,813
Net book value as at 31 March 2003	1,544	1,104	-	8,957	3,970	15,575

The net book value of plant, fixtures and vehicles for the company includes £339,000 (2003 - £513,000) in respect of assets acquired under finance leases which have been capitalised. The primary period for all remaining finance leases expired during 2003. Nominal rentals continued to be paid over the secondary period of the leases.

Capital Commitments

At 31 March 2004 the company was committed to capital expenditure of £210,000 (2003 - £2,222,000).

8 Investments

	Note	Total £'000
Cost		
As at 1 April 2003		2,263
Additions during the year	20	379
As at 31 March 2004		2,642
Provision for impairment		
As at 1 April 2003		763
Additions during the year	20	343
Charge during the year		36
As at 31 March 2004		1,142
Net book value as at 31 March 2004		1,500
Net book value as at 31 March 2003		1,500

Following the acquisition of the trade and assets of Medifix Adhesive Products Limited on 1 April 2003, the company acquired an investment in Boldscope Limited, previously a subsidiary of Medifix Adhesive Products Limited. As a result of Boldscope Limited having negative net assets, the carrying value of the investment in Boldscope Limited had previously been written down to nil.

Scapa UK Limited

8 Investments (continued)

During the year the company paid the final instalment of deferred consideration arising from the acquisition of Cable Components Limited. The total deferred consideration paid was £36,000 higher than the original estimate reflected at the date of acquisition, hence the additional consideration has been added to the cost of investment. Following the transfer of trade and assets of Cable Components Limited on 31 January 2002, the carrying value of the investment was written down to the residual net asset value. The additional cost of investment has therefore been impaired.

9 Stocks

	2004 £'000	2003 £'000
Raw materials and consumables	2,264	1,620
Work in progress	1,214	806
Finished goods	1,976	1,959
	<u>5,454</u>	<u>4,385</u>

10 Debtors

	2004 £'000	2003 £'000
Trade debtors	11,688	10,408
Amounts due from parent undertaking	174	3,235
Amounts due from other Group undertakings	3,659	3,838
Other debtors	691	1,158
Prepayments and accrued income	1,009	403
	<u>17,221</u>	<u>19,042</u>

Of the amounts due from other Group undertakings, £750,000 (2003: 750,000) is receivable after more than one year.

11 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	8,873	7,424
Amounts due to parent undertaking	2,452	5,559
Amounts owed to other Group undertakings	18,526	14,612
Corporation tax	872	872
Other taxes and social security costs	274	436
Other creditors	196	819
Accruals and deferred income	1,958	1,371
Deferred consideration	-	238
	<u>33,151</u>	<u>31,331</u>

12 Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000
Amounts owed to Group undertakings	1,500	1,500
Deferred government grants	1,565	-
	<u>3,065</u>	<u>1,500</u>

Scapa UK Limited

13 Provisions for liabilities and charges

	Reorganisation £'000	Dilapidations £'000	Deferred tax £'000	Total £'000
As at 1 April 2003	-	100	958	1,058
Arising from acquisitions	7	-	-	7
Profit and loss account	135	100	(958)	(723)
Utilised during the year	(7)	-	-	(7)
As at 31 March 2004	135	200	-	335

Reorganisation

During the financial year ended 31 March 2004 the company continued its review of its operations started in 2002. As part of the structural cost reduction programme the company made a provision for redundancy costs amounting to £135,000. It is anticipated that the provision will be utilised during the financial year ended 31 March 2005.

Dilapidations

During the financial year ended 31 March 2004 the company renewed the lease on one of its properties. The lease requires the company to undertake certain dilapidation work that must be completed before the end of the tenancy. The above provision represents the company's best estimate of the expected obligation arising from the wear and tear on the property, accrued on an annual basis. The primary term of the lease is seven years.

Deferred taxation

Following the adoption of FRS 19 Deferred tax, full provision is made for deferred tax assets and liabilities arising from the timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation.

The full potential deferred tax liability at the Corporation Tax rate of 30% is as follows:

	2004 £'000	2003 £'000
Deferred tax liabilities:		
Capital allowances in excess of depreciation	1,238	1,041
Losses	(1,230)	(75)
Short term timing differences	(8)	(8)
	-	958

14 Share capital

Authorised			2004 £	2003 £
Ordinary shares of £1 each			100	100
Allotted, called up and fully paid	2004 No.	2003 No.	2004 £	2003 £
Ordinary shares of £1 each	2	2	2	2

Scapa UK Limited

15 Reserves

	Share premium £'000	Profit and loss account £'000
At 1 April 2003 as previously reported	11,946	579
Prior year adjustment	-	(15,322)
At 1 April 2003 as restated	11,946	(14,743)
FRS 17 retirement benefits	-	168
Retained loss for the year	-	(3,281)
As at 31 March 2004	11,946	(17,856)

16 Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 (restated) £'000
Loss for the financial year after taxation transferred to reserves	(3,281)	(2,835)
Other recognised gains and losses relating to the year	168	(11,166)
Opening equity shareholders' funds (see note below)	(2,797)	11,204
Closing equity shareholders' funds	(5,910)	(2,797)

Opening equity shareholders' funds at 1 April 2003 were originally £12,525,000 for the company before deducting the prior year adjustment of £15,322,000 following the adoption of FRS 17 Retirement Benefits.

17 Financial commitments

Operating leases

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land & buildings		Plant, fixtures & vehicles	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Expiry date:				
Within one year	31	-	70	132
Between two and five years	-	129	372	396
In over five years	1,014	-	-	-
	1,045	129	442	528

18 Directors' emoluments

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

	2004 £'000	2003 £'000
All directors		
Aggregate emoluments	309	329
Highest paid director		
Aggregate emoluments	125	138
Defined benefit pension scheme:		
Accrued pension at end of year	18	52

Retirement benefits are accruing to three (2003: three) directors under the defined benefit scheme.

Scapa UK Limited

19 Employees

(a) Number of employees

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

	2004 No	2003 No
Number of employees	575	529

(b) Employment costs

	Note	2004 £'000	2003 (restated) £'000
Wages and salaries		14,152	13,378
Social security costs		1,440	1,152
Other pension costs	21	813	1,033
		16,405	15,563

20 Acquisitions

Medifix Adhesive Products Limited and Boldscope Limited

On 1 April 2003 the trade and assets of Medifix Adhesive Products Limited and its subsidiary company, Boldscope Limited, were acquired by Scapa UK Limited for £1,263,000. The consideration was satisfied by a non-interest bearing loan. The acquisition of the trade and assets is analysed as follows:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value £'000
Investments	343	-	343
Provision for impairment of investment	(343)	-	(343)
Fixed assets	1,321	-	1,321
Stock	922	(14)	908
Debtors	533	-	533
Cash	194	-	194
Creditors	(324)	-	(324)
Intercompany balances	(1,369)	-	(1,369)
Provisions for liabilities and charges	(14)	-	(14)
Net assets acquired	1,263	(14)	1,249
Consideration			1,263
Goodwill			14

The fair value adjustment made reflects the elimination of intercompany profit in stock following the transfer of assets to Scapa UK limited.

Medifix Adhesive Products Limited recorded a loss after tax of £181,240 for the financial year ended 31 March 2003. Boldscope Limited recorded a loss after tax of £458,468 for the financial year ended 31 March 2003. The loss of Boldscope Limited for financial year ended 31 March 2003 was principally in respect of site closure costs prior to the transfer of operations to an existing Scapa site.

Cable Components Limited

The company paid £274,000 during the year being the final instalment of deferred consideration arising from the acquisition of Cable Components Limited. The total deferred consideration paid was £36,000 higher than the original estimate calculated at the date of acquisition. The increase has been added to the cost of investment (see note 8).

Scapa UK Limited

21 Pension schemes

The company has adopted FRS 17 Retirement Benefits during the year to 31 March 2004.

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 2004 was **£199,000** (2003: £113,000).

(b) Defined benefit 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 **£614,000** (restated 2003: £530,000).

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 2004. Scheme assets are stated at their market value at 31 March 2004.

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

	2004	2003	2002
Discount rate	5.5%	5.4%	6.0%
Salary increases per annum	3.5%	3.0% - 3.5%	3.25% - 3.7%
Price inflation per annum	2.8%	2.3%	2.5%
Increases to pensions in payment	2.8% - 3.0%	2.3% - 3.0%	2.5% - 3.0%
Increases to deferred pensions	2.8%	2.3%	2.5%

Scapa UK Limited

21 Pension schemes (continued)

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 2004		At 31 March 2003		At 31 March 2002	
	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m
Equities	8.0%	18,652	8.0%	15,499	7.5%	22,295
Bonds	4.5% - 5.5%	4,981	4.5% - 5.5%	4,063	5.25% - 6.0%	3,762
Other	4.0% - 7.0%	2,335	4.0% - 7.0%	2,914	4.0% - 7.5%	2,217
Total market value of assets		25,968		22,476		28,274
Present value of scheme liabilities		(41,337)		(37,506)		(32,188)
Net deficit in the schemes		(15,369)		(15,030)		(3,914)
Net pension liability		(15,369)		(15,030)		(3,914)

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 2004 in respect of the Company's defined benefit schemes:

	2004 £'000	2003 £'000
Profit and loss account		
- current service cost	614	530
Total charge to operating profit	614	530
Other finance costs		
- expected return on pension scheme	1,550	1,977
- interest on pension scheme liabilities	(2,003)	(1,918)
Net finance cost	(453)	59
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	2,959	(7,194)
Experience losses arising on scheme liabilities	(807)	(1,525)
Changes in assumptions underlying the present value of scheme liabilities	(1,984)	(2,447)
Net actuarial gain / (loss) recognised in the statement of total recognised gains and losses	168	(11,166)
Movement in deficit pre deferred tax during the year		
Net deficit in schemes at beginning of year	(15,030)	(3,914)
Movement in year:		
- current service cost	(614)	(530)
- contributions	560	521
- net finance cost	(453)	59
- actuarial gain / (loss)	168	(11,166)
Net deficit in schemes at end of year	(15,369)	(15,030)

Scapa UK Limited

21 Pension schemes (continued)

Details of experience (gains) and losses

	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:		
- Amount (£'000)	2,959	(7,194)
- Percentage of scheme assets	11.4%	(32.0%)
Experience losses on scheme liabilities:		
- Amount (£'000)	(807)	(1,525)
- Percentage of scheme liabilities	(2.0%)	(4.1%)
Total amount recognised in statement of total recognised gains and losses:		
- Amount (£'000)	168	(10,600)
- Percentage of scheme liabilities	0.4%	(29.8%)

Impact of adopting FRS 17 Retirement Benefits

The effect of adopting FRS 17 on the current and comparative amounts, and the SSAP24 comparison figures are shown below:

	Year ended 31 March 2004			Year ended 31 March 2003		
	Based on SSAP24 accounting policy £'000	Impact of adopting FRS 17 £'000	Based on FRS 17 accounting policy £'000	Based on SSAP24 accounting policy £'000	Impact of adopting FRS 17 £'000	Based on FRS 17 accounting policy £'000
Profit and loss account						
Operating loss	(4,377)	528	(3,849)	(2,871)	(351)	(3,222)
Loss on ordinary activities before interest and taxation	(4,377)	528	(3,849)	(2,871)	(351)	(3,222)
Other finance costs – FRS 17	-	(453)	(453)	-	59	59
Loss on ordinary activities before taxation	(4,314)	75	(4,239)	(2,581)	(292)	(2,873)
Statement of total recognised gains and losses						
Actuarial gain / (loss) on pension scheme	-	168	168	-	(11,166)	(11,166)
Balance sheet						
Net assets excluding pension liability	9,384	75	9,459	12,525	(292)	12,233
Pension liability	-	(15,369)	(15,369)	-	(15,030)	(15,030)
Shareholders' funds	9,384	(15,294)	(5,910)	12,525	(15,322)	(2,797)

The FRS 17 charge to operating profit for the year ended 31 March 2004 is £614,000 (2003: £530,000).

The SSAP 24 comparative figure as included in the note above, have been calculated using the discounted dividend method of valuing pension asset; this method is consistent with that used prior to 2000. The pension deficit has been spread using the level percentage method. At the last triennial valuation adopted in April 2003, the pension assets were valued on an ongoing basis and the surplus was spread using the straight line method.

Had FRS 17 not been adopted for the year ended 31 March 2004, and had the assets been valued on an ongoing valuation basis, the SSAP 24 charge for the year would have been £528,000 higher.

22 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
Oakfield House
93 Preston New Road
Blackburn
Lancashire
BB2 6AY

23 Related party transactions

The immediate and 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.

24 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 financing facility and other financial obligations. As at 31 March 2004, the group financing facility amounted to £22,608,000 (2003 - £27,534,000). The facility is secured on various fixed and floating assets.