



# 2009

## Annual Report & Accounts



World Class Tape Solutions

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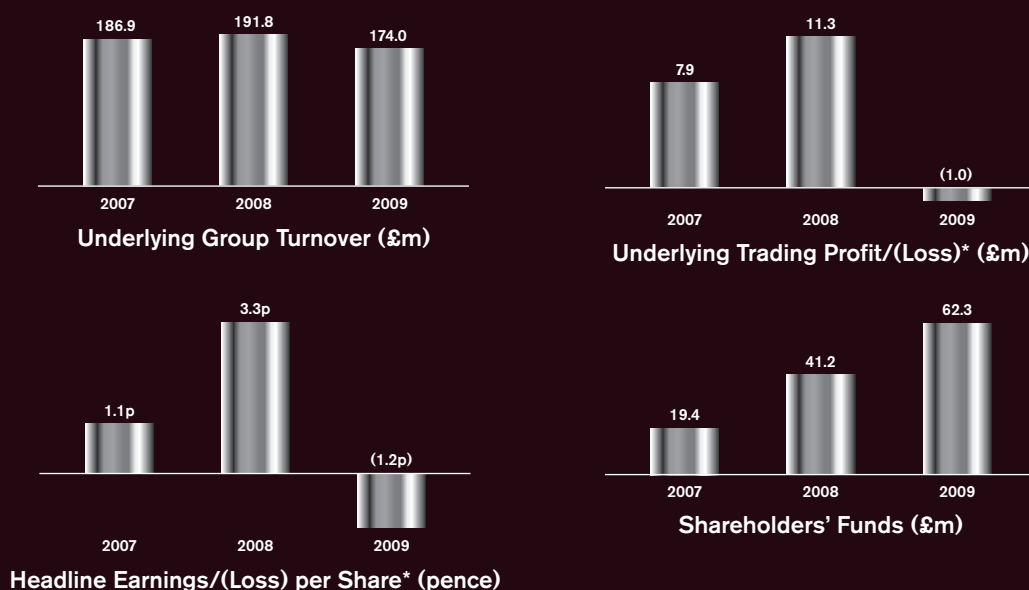
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*Our Vision... **World class**, inspired, market driven team, focused on optimising customer & shareholder value through responsible, agile delivery of specialist **tape solutions**.*

## What we do

Scapa is one of the world's leading technical adhesive tapes and film manufacturers. Our wide variety of standard and bespoke products are used in a host of different industries with applications for assembly, insulation, protection, repair and identification. We have manufacturing facilities in 12 locations and we sell our products in over 100 countries across the globe. We are managed and structured around three principal regions; Europe, North America and Asia. We employ 1,256 staff.

## Financial Highlights



## Results Summary

	2009	2008
Revenue £m	174.0	170.1
Operating (loss)/profit £m	(6.9)	9.2
Trading (loss)/profit* £m	(1.0)	9.5
(Loss)/profit before tax £m	(9.3)	7.4
Earnings per share (p)	7.5	3.1
Headline (loss)/earnings per share* (p)	(1.2)	3.3
Dividend per share (p)	-	0.75

## \*Definitions

Throughout the entirety of this document, the following definitions apply.

**Underlying** – Sales or profit before exceptionals, foreign currency movements, the effect of business disposals and any tax impact thereof

**Trading** – Operating profit before exceptional items. Trading figures are presented to provide a more meaningful indication of underlying business performance and trends. These are the primary performance figures used by management

**Return on Sales** – Trading profit divided by sales

**Headline** – Profit or loss on an underlying basis

# Chairman's Statement

Scapa is changing. We have a new Vision and a long-term Strategic Plan to deliver it.

## Our Vision

**World class**, inspired, market driven team, focused on optimising customer & shareholder value through responsible, agile delivery of specialist **tape solutions**.

Committing significant management time and money to a major strategic review in the depths of a severe economic downturn may seem unusual to some. This time last year we had already started the process and in our view, the need for a clear Vision, and a targeted well-defined strategic action plan of how to get there, is more important now than in more favourable market conditions. Our new Vision and Strategy is covered in more depth in the Business Review.

## Business performance

The two halves of the year were remarkably different with the strong first six months followed by a second six where we have experienced the full effects of the world recession. Scapa entered the economic downturn already mobilised for the tougher trading environment. £1.2m of capital investment in our Ashton UK facility to reduce cost and improve process capability was already well under way and has recently been completed. Similar investments of a further £1.0m in our Renfrew site in Canada and £0.6m in our Italian operations in Ghislaengo are starting to generate efficiency gains. At Scapa we did not have to create a cost saving strategy from scratch, rather accelerate and build on to one already under way with expected annualised cost savings from investments and restructuring of over £8.0m. We were also in the process of extending our SAP group system throughout North America to enhance management information as well as financial control. That project also is now complete. At a time when others are considering how best to survive, Scapa is using the tougher economic environment to consider how best to grow and develop our business further.

Revenue for the year was £174.0m, and reflected favourable currency movements (particularly the US Dollar and the Euro) of £21.7m. On an underlying basis, sales decreased by £17.8m (9%). This fall in revenue was driven by the global economic slowdown, particularly in the second half, with some markets hard hit such as Automotive where sales were down 28% in the year and 50% in the second half alone.

Profitability was severely impacted by the lower volumes with first half profits more than offset by second half losses. The trading loss for the year was £1.0m (2008: trading profit of £9.5m), despite the accelerated major cost reduction implemented in the final quarter of the year.

Our European operations which represent almost 60% of our business by revenue have had low historic profitability. Continued improvement in the first half which saw trading profit of £3.1m (2008: £2.0m) was wholly offset by £3.9m of losses (2008: £3.0m profit) in the second half as volumes fell by 21%. One bright spot was the ongoing recovery in the UK that capitalises on the strength of our market positions in Cable and Medical.

Profit margins in our North American operations were squeezed by the general economic slowdown with underlying volumes down by 11%. As a result trading profit fell by £5.0m to £1.5m (2008: £6.5m). Our North American team is striving to meet the challenge and return performance levels over time back to the historical levels of a return on Sales of over 10%.

In Asia we continued to enjoy solid growth, 9% year-on-year. Trading profit rose to £0.9m (2008: £0.7m), a 29% increase on the prior year. The focus of the management team on trading up of the sales portfolio to higher value added technical products in electronics and infrastructure sectors continues to be successful.

As a result of the severe downturn in the world economy, a significant level of restructuring was undertaken in the year involving major job losses and the closure of the Bellegarde site. These costs have been shown as exceptional and make up the major part of that charge.

During the year we delivered our major capital investment programme, the first time in many years that the capital spend has exceeded depreciation. We have, however, sensibly reduced next year's capital programme not only in view of the current poor economic conditions but also to allow the business to focus on getting the maximum value from recent investments which have helped underpin some of our restructuring activities. We are still undertaking a number of value added projects that will enhance long-term profitability and have sufficient cash reserves and bank facilities to ensure we can take advantage of other opportunities if and when they arise.

The business's cash performance was monitored very closely during the last twelve months and although the effects of the economic downturn could not be eliminated, strong cash management has left the Group with positive net cash after borrowings of £6.8m (2008: £14.8m). The prompt actions taken by the Group, the last of which will complete in the first quarter of the new financial year, are sufficient to return the Group to positive net cash flows on a steady state basis should the current 20% fall in volumes continue.

## Pensions

We are currently undertaking the 'Triennial Review' of UK pension contributions for the next three years. At a time when cash flows are constrained and asset values have fallen, our focus is on achieving a settlement where affordability is a critical criteria in maintaining a strong sponsoring employer for the pension schemes. At present pension contributions and other costs currently absorb approximately £4.7m of cash on an ongoing basis each year in the UK (2009: £5.3m including PPF).

The total pension deficit of all Group retirement benefit plans now stands at £49.3m (2008: £43.1m), an increase of £6.2m from the prior year end, and is largely as a result of a £10.2m fall in the value of scheme assets.

### Asbestos

This year saw another step change in the number of outstanding claims with a 22% fall (over 4,000 cases). The claim total is now 14,234 compared to a peak of over 34,000 in 2004. Our robust stance and resolve to defend against all claims are fundamental to the continued successful management of this legacy issue. Neither we, nor our insurers, have settled or paid any damages in respect of any case.

### Taxation

The Group's tax position with prudent tax planning continues to improve and, alongside the continuous improvement in UK profitability, has led to the recognition of significant deferred tax assets predominantly in the UK of £16.8m. These assets represent real value that was not previously represented in the Group's Balance Sheet. The recognition of this deferred asset will push the Group's effective tax rate towards the UK standard rate in the short to medium term. Tax cash payments will remain extremely low as the deferred tax assets are utilised at a rate of around £1.7m per annum.

### Dividends

In view of the impact of the unprecedented economic circumstances over the last six months we have decided that it would be inappropriate to declare a dividend this year. We will of course keep this area under close review as market conditions and business performance improve so that we can return to our policy of making an appropriate distribution to shareholders.


### Our staff

In any downturn it is the quality of staff and their response to the problems faced that is the single biggest determinant of how a company will fare. We do not underestimate the impact of our actions on those who have lost their jobs at this difficult time. However, we are confident that the investment in training and employee communication together with the huge efforts and positive attitudes of our staff who are already embracing our new Vision and Strategy will lead to a stronger and more profitable Scapa in the long term. That objective is in the best interests of all our stakeholders.

### Outlook

At the start of 2009/10, most of our markets remain depressed due to the current worldwide recession with the outlook remaining uncertain. Some areas of relative strength are however visible in, for example, the Cable and Medical markets. The bottom line profitability and cash flow continue to be supported by the major efficiency and cost reduction initiatives of prior years together with ongoing business improvement plans.

World Class is our challenge and our goal. Working together to be World Class will not only ensure that Scapa survives the current downturn but actually emerges on the other side as a force to be reckoned with in our markets. Scapa is changing.



**J A S Wallace**

Chairman

# Business Review

## Our Vision

**World class**, inspired, market driven team, focused on optimising customer & shareholder value through responsible, agile delivery of specialist **tape solutions**.

## Strategy

During the year a significant amount of management time was devoted to identifying not only a new Vision for Scapa but also the Strategic Plan and the Organisational Structures to get us there. Our Vision sets out a clear direction for the Company that we believe can inspire all of our stakeholders. The most significant change is the focus on becoming market-driven whilst still retaining and developing strong customer relationships. By focusing on higher growth markets such as Cable and Medical, and technically advanced products, the Group will be able to strengthen its position in the international market-place. Our aim and challenge for **every** part of our business is to be World Class. Examples of projects now under way to deliver our new Vision include:

### Commercial

We are implementing system-based Customer Relationship Management capability and sales excellence programmes. In addition, extensive market-based intelligence gathering is under way and sales resources will be realigned towards higher growth markets. We will also be moving away from certain markets where we have limited market influence or where our value offering is more limited. The move to focus on a less diverse range of markets and products will enhance value generation through more effective delivery.

### Technology

We are reallocating R&D resource and expenditure to focus on key market sectors. We are also investigating technology platforms, that would be new to Scapa, to support new product launches.

### Operations

We have started a project at three pilot sites, one in each region, to implement Lean Manufacturing, a series of measures designed to reduce waste in all its forms. We will then roll out the Lean initiative to all of our principal manufacturing locations. Once Lean is embedded and generating benefits, we plan to enhance our processes further through the introduction of Six Sigma disciplines (again on a phased basis, commencing in 2010/11). Six Sigma is designed to improve quality and consistency of outputs, whether from manufacturing or

customer care processes. Six Sigma is highly data-driven and requires high levels of discipline in an organisation if it is to be successfully implemented. The recent implementation of our SAP platform in North America and the standardisation of business processes we will be undertaking throughout the Group during the coming year are a key foundation for this.

### People

We are well advanced in conducting in-depth '360 degree' evaluations of our executives and senior managers with a view to implementing tailored development programmes. We are also rolling out a new general management skills course to upgrade our managerial capability across the Group. A web-based Performance Measurement and Appraisal system is being implemented to ensure effective management of staff and to enable a clear and direct alignment of objectives for all staff with the Group's overall business goals and Vision.

Many of the initiatives above are focused on people, their skills, attitudes and behaviours and the culture of Scapa. Our aim is to unite the different components of the Group in a more effective way. We have therefore called our change programme 'OneScapa', a key part of our overall strategy.

## Previous Strategy – Performance Summary

The strategic review carried out in 2006 identified three principal initiatives to reverse the under-performance of the previous years and to stabilise the Group's financial position. The first was to eliminate the Group's indebtedness and this was achieved in 2006/07 through the sale of non-core operations. The Group has remained in a net cash position ever since with healthy net cash at the current year end of £6.8m.

The second initiative focused on cost reduction programmes. Cost control and business improvement activities have now moved from being strategic initiatives to being continuous improvement plans, mapped and tracked every month in business performance reviews at an individual site level and at regional level, fully embedded in the day-to-day running of the Group.

The third initiative targeted the pensions and asbestos legacy issues for the Group. These continue to be closely managed and good progress has been made in the last three years with the pension deficit £14.1m lower

and the number of outstanding asbestos claims in the US 20,000 lower than the peak in 2004.

## Measuring our performance

The Group started the year with detailed Business Improvement Plans (BIPs) for each site, broken down into the key areas identified in the Group's balanced scorecard. Revenue from New Products is defined as revenue earned by a new product within one year of its launch. Cost Control covers all those areas of expenditure where reduction targets are set at the start of the year. Revenue Growth from Existing Products, Working Capital and Cash Flow and Health and Safety are self-explanatory. The data below sets out our performance in these areas:

### Revenue from New Products

Europe and Asia achieved approximately 90% of target value, North America only 12% – a weak result due to delays in major development programmes.

### Revenue Growth from Existing Products

Europe achieved 97% of target, North America 43% and Asia 33% due to softer market conditions in the second half.

### Cost Control

Achieved approximately 85% of targeted £2.8m cost savings (Europe 97%, North America 72%, Asia 100%).

### Working Capital and Cash Flow

Year-on-year reduction of £5.0m.

### Health and Safety

Significant improvement in 3 out of 4 criteria (better than 30% year-on-year improvement). One target missed with only 2% improvement.

The new performance management and reporting framework that focuses effort and attention on clear measurable targets has been effective in building an increasing sense of ownership and accountability for results in all parts of the business. As part of the strategy development process we identified a number of additional areas to add to the Group's balanced scorecard, namely People and Change Projects. Key Performance Indicators (KPIs) are being developed for these and will be reported on next year.

## 2008/09 Performance

### Overview

Sales in 2008/09 grew by £3.9m in absolute terms but fell by £17.8m (9%) on an underlying basis. The underlying basis is after adjusting for the favourable impact of foreign exchange translation (£21.7m). Foreign exchange movements reflected the weakening of Sterling against the Euro (15% movement in year-on-year average exchange rate) and the US Dollar (13% movement in year-on-year average exchange rate). The underlying fall in revenue arose in our European and North American operations principally as a result of significantly lower volumes in the second half of the year (almost a 20% fall whereas the first half was flat). Revenues in Asia grew by 9% year-on-year on an underlying basis.



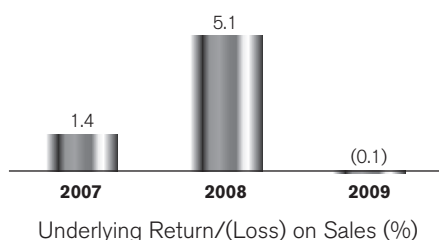
Trading profit in the prior year compares to a trading loss in the current year with an absolute fall of £10.5m, or £12.3m on an underlying basis. The fall occurred in the second half of the year (first half was flat year-on-year) fundamentally as a result of the extreme downturn in the global economy. The underlying decline in trading profit was made up of reductions in Europe (£6.6m) and North America (£5.9m), partially offset by an improved result in Asia (£0.1m). Corporate costs of £2.6m were below the prior year by £0.1m.

The Group took strong action in the second half of the year to respond to serious reductions in volumes. These actions, the last of which complete in the first quarter of the new financial year, are sufficient to return the Group to positive net cash flows on a steady state basis should the current 20% fall in volumes continue.

### Europe

The general economic environment in Europe was firm in the first half of the year with underlying revenues and trading profits up by 2% and 35% respectively. The second half of the year was significantly weaker with large falls occurring from November onwards. Second half underlying revenues were down 21% with full year underlying revenues down £10.7m (9%). The major loss of volume in the second half gave rise to trading losses of £3.9m and a full year trading loss of £0.8m.

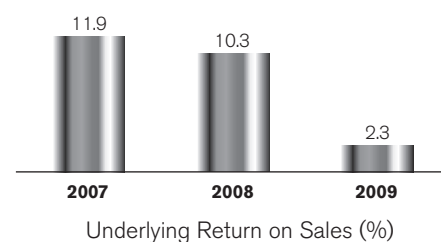
Market sector growth rates varied throughout the year. Certain key sectors saw severe falls due to the economic recession with Automotive sales down 30% on a full year basis (52% in the second half) and Industrial Assembly down 12% (20% in the second half). These two sectors represent approximately 50% of our European business. This was partially offset by better performance in two of our smaller sectors, Cable and Medical, which grew 7% and 10% respectively year-on-year. The Construction sector was flat year-on-year (approximately 20% of our European business) with specific country growth offsetting weakness in the underlying product market.



Cost control measures were applied in the rapid downturn in the second half and included a major reduction in staff. A number of these job reductions resulted from the successful delivery of capital projects begun during the year that led to immediate savings and these projects will also limit the need to hire more staff when volumes recover. We also initiated a project to consider the closure of our Bellegarde site in France that had been particularly severely hit by the collapse in the Automotive sector with the transfer of some of the production to other Group sites. That project concluded with a confirmed closure decision agreed by Workers Representatives and French state agencies in April 2009. As a result, a further 60 staff will leave the business by the end of June 2009.

### North America

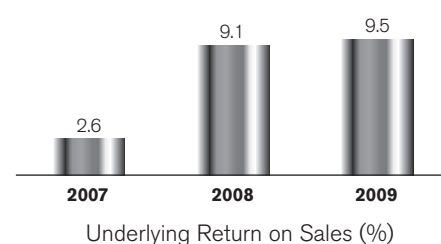
Business conditions in North America continued to soften in response to the downturn in the world economy, with sales down by 11% on an underlying basis. Printing and Graphics and Automotive were the hardest hit sectors with falls of 33% and 19% respectively, although representing only 8% of our total business. Industrial Assembly (37% of North American business) saw a fall of 12% (£3.0m on an underlying basis). Medical was down 8% due to lower sales in consumer woundcare with a switch away from branded products, reversing some of the double digit growth of the prior year. Cable, Sports and Construction (Pipeline) (25% of the business) were either flat or saw some modest growth. The split of performance between first and second half was similar to the European experience with first half revenue falls of 5% compared to 18% in the second half.



Whilst revenue ended the year down by 11% on an underlying basis in North America, trading profit fell by £5.0m to £1.5m (2008: £6.5m). The weakening of the Canadian Dollar against the US Dollar restored the exchange rate to the historical average rate and helped add value to trade between the two countries.

### Asia

Our business in Asia continues to grow with year-on-year underlying revenues up by £0.8m (9%) and underlying trading profits by £0.1m (13%). The Asian economies saw lower growth rates in the second half of this year of 6% compared to 12% in the first half which impacted our overall progress. Growth came from the Infrastructure and Electronics markets.



## Business Review

Additional resources have now been deployed to our Asian operations to maintain further growth in China and India in particular. Local distribution centres with conversion capability are being set up to better serve local customers.

### Corporate

Corporate costs fell by £0.1m to £2.6m (2008: £2.7m). New investment in training and people development initiatives of £0.3m was offset by zero bonus payments and the recovery of £0.2m of VAT from HMRC based on the legal case known as Kretztechik/Flemming. The Corporate team completed a major data cleansing exercise for the UK pension schemes, sent four surplus legal entities for liquidation and completed a number of other projects to further simplify and reduce the ongoing costs of the Group's historical structure.

### Exceptional items

During the year, a significant level of restructuring activity occurred with approximately 140 staff leaving the business by the year end. The closure of our facility in Bellegarde (France) will lead to the loss of a further 60 jobs by the end of July 2009. Both of these programmes have been recorded as exceptional items in the year ended 31 March 2009 at a cost of £5.2m. In addition, the purchaser of the Megolon business sold in 2007 has indicated their intention to exercise the right under the Sale and Purchase Agreement to require Scapa to make good any shortfall to an agreed value on the sale of certain property within 42 months of acquisition. Accordingly, based on third party valuations, a shortfall of £0.7m has been provided within these accounts. This shortfall reflects the severe fall in commercial property prices in the Ashton area in the present economic slump.

Carrying value reviews have been undertaken in respect of the remaining goodwill and tangible fixed assets on the Group's Balance Sheet in accordance with IAS 36 'Impairment of Assets'. These reviews indicate that the current values are fully supported by the associated cash flows. £0.9m of assets were written off as part of the exceptional closure costs of the Bellegarde site where no future use is foreseen for these assets.

The above exceptional charges were more than offset by a significant exceptional credit of £16.8m that arose in the year with respect to deferred taxation and is explained further below in the Taxation section.

In 2007/08 the exceptional cost was to write off £0.3m of deferred consideration due following the disposal of the loss-making Irish subsidiary in the prior year for £1.0m (including £0.4m of deferred consideration). The acquirer of the company placed it into members' voluntary liquidation due to a downturn in business performance.

### Finance costs

The Group has continued with net cash balances throughout the year, albeit at lower average levels than the prior year and with lower rates of interest applying. Net interest receivable was therefore £0.3m (2008: £0.6m). Net interest receivable was offset by the non-cash pensions financing charge (IAS 19 'Employee Benefits') of £2.3m (2008: £2.0m) and by the unwinding of the discount on the asbestos litigation provision of £0.4m (2008: £0.4m).

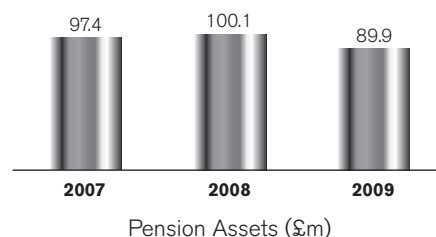
### Taxation

The current year tax credit of £20.2m (2008: £2.9m charge) includes £1.5m of current tax credit (2008: £1.2m charge) and £18.7m of deferred tax credit (2008: £1.7m charge). The credit is made up of a normal credit of £1.6m and an exceptional credit of £18.6m.

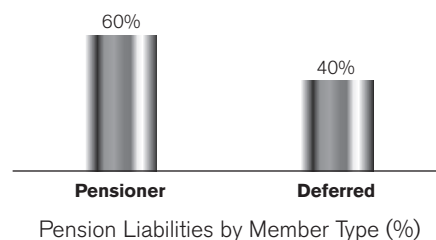
The Group has now recognised a deferred tax asset in the UK for £2.0m of accumulated losses (2008: £4.1m unrecognised), £3.1m of accelerated capital allowances (2008: £3.3m unrecognised) and £11.1m of future pension deficit contributions (2008: £11.1m unrecognised). This reflects both the ongoing utilisation of these tax assets and reasonable certainty of their future use in the business. This improved confidence is the result of tax planning and improved operating results in the UK and confidence in maintaining these levels in the future. The Group also has further unrecognised overseas deferred tax assets of £2.7m (2008: £3.5m) in respect of accumulated losses.

### Pensions

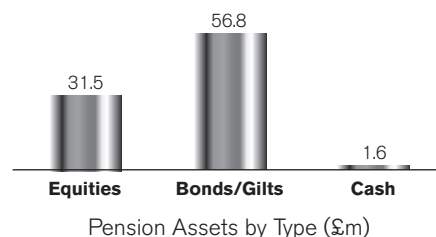
Before considering the impact of the deferred tax asset now recognised on the Balance Sheet, the IAS 19 pensions deficit has increased by £6.2m to £49.3m (2008: £43.1m). The three UK defined benefit schemes represent the largest portion of the deficit and that balance now stands at £42.8m (2008: £39.7m). The net movement in the UK deficits was the result of falls in asset values (£9.4m) outweighing the reduction in the total liabilities (£6.3m).



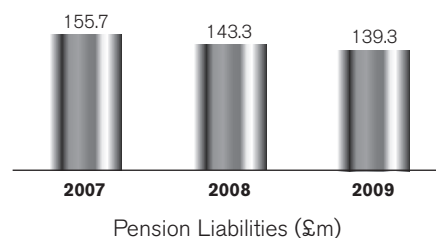
The Group's defined benefit pension schemes are relatively mature with the majority of liabilities relating to pensioner members as opposed to deferred members.



As such, equity investments tend to be lower than other schemes and hence have a lower risk profile.



The value of liabilities fell during the year by £4.0m mainly as a result of an increase in the discount rate from 6.2% to 6.4%.



The UK schemes are closed to new members and future accrual and therefore have a lower risk profile than other open schemes. During the year the Group made contributions of £5.3m to the UK schemes. The other major movement in asset values arose in the US where at the beginning of the year 53% of assets were held as equities and overall losses for the year ended at £2.4m.

In addition, during the year the Group bought out the small historical Canadian Defined Benefit Scheme (£0.2m cost). Additional

work is ongoing to reduce further the burden, the risks and the administration costs of the defined benefit pension schemes.

It should be noted that the Group has now recognised the deferred tax asset (£14.0m) in respect of future pension deficit reduction payments which gain tax relief at the time of payment (as opposed to accrual).

### Shareholder funds

The combined result of the profit for the year of £10.9m and the favourable currency impact on overseas asset values of £17.1m, offset by the actuarial loss net of deferred tax (£6.1m) and other items (£0.8m), is a £21.1m increase in shareholder funds to £62.3m (2008: £41.2m).

### Cash flow

The Group began the year with strong net cash after borrowings of £14.8m. During the year the Group utilised £9.9m of cash with a favourable translation difference of £1.7m, resulting in year end net cash after borrowings of £6.8m. This is a creditable result given that it is after £6.3m (2008: £5.5m) of pension payments, a major capital expenditure programme of £8.9m and a trading loss driven by the world economic crisis. Effective management of working capital led to cash generation of £5.0m in the second half of the year which offset operating losses of £5.8m in the same period.

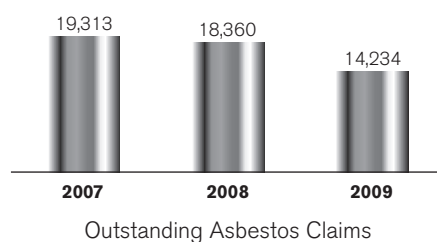
The exceptional charges in the Income Statement of £5.9m had associated cash outflows of £1.5m. Of the balance of these items, £3.5m is expected to impact cash flows during the financial year ending 31 March 2010. The remainder were asset write-offs in Bellegarde that have no cash impact on the Group. Other exceptional cash flows during the year of £1.0m were in respect of provisions raised in prior years for asbestos litigation and environmental clean-up costs. The Group obtained full and final release from an environmental liability in the US at a net cash cost equal to the Balance Sheet value.

At the start of the financial year the Group launched a major capital expenditure programme with the aim of significantly upgrading a number of key pieces of infrastructure and investing in much more efficient production equipment. At like-for-like exchange rates this more than doubled our capital expenditure compared to the prior year. We successfully delivered our SAP project in North America (£2.9m) as well as a number of investments in production equipment upgrades (Canada £1.0m, UK £1.2m and Italy £0.6m). The Group will continue to closely manage capital expenditure in the coming year to address the cash constraints necessitated by the economic crisis. Next year's expenditure is anticipated to be less than half that of the current year with, however, opportunities to invest further as the business environment recovers.

The Group continues to maintain a restricted deposit of US\$10.0m (the 'Waycross deposit') in respect of the 1999 sale agreement with J M Voith AG. The deposit is restricted until 31 December 2011.

### Asbestos litigation

We continue to adopt the same robust stance with respect to the outstanding personal injury claims in the USA arising from alleged exposure to asbestos that relate to a business we sold in 1999. During the year over 4,000 more plaintiff claims were dismissed and the total now stands at 14,234, a reduction of almost 20,000 since the peak of around 34,000 in 2004.



The Group has not settled or paid damages in respect of any case brought against it and our insurance cover remains intact. Provisions of £8.5m (2008: £6.4m) remain to pay the Group's share of litigation costs.

### Performance summary

In a very difficult global economic environment Scapa has managed to stay focused on the core disciplines of cost control, delivery of investment projects, working capital management and continued risk reduction of our major legacy issues. In addition, we developed a new Vision and Strategic Plan to guide the successful development of the Group over the next five years. A number of major change initiatives have already started under the OneScapa programme. Scapa is well placed to emerge from the downturn significantly stronger and able to capitalise on growth opportunities as and when they arise.

# Business Review

## Business risk

During the year we made a number of significant proactive improvements to our Risk Management and Assurance processes. We recruited an experienced Risk and Controls Manager who also provides us with in-house Internal Audit capability. We have also implemented a new web-based risk management and issues tracking system that facilitates 'live' and active progress on actions to mitigate risk and identified issues. Work continues to embed and enhance these key disciplines.

In response to the downturn in the global economy we moved swiftly to implement enhanced control, monitoring and reporting processes for working capital management, with particular focus on our debtors and stock levels. As shown in Note 16 to the accounts, our proportion of overdue debts is higher than the previous year end (12.0% compared to 6.5%). The absolute value of overdue debts has increased by £2.3m but our absolute experience of bad debts during the year has been limited to £0.1m (2008: £0.3m). This is affected by foreign exchange rates in North America where overdues now look higher and where credit terms are kept deliberately short. We also continue to enjoy credit insurance in Europe that covers £7.2m of the year end debt book of £35.2m.

Furthermore, from a revenue perspective, our regions are not over-dependent on any single customer group. In 2008/09 the top 10 customers in North America comprised 34% of total sales, in Europe only 22% and Asia 40%.

Beyond the current economic crisis, there are a variety of business risks that can affect international manufacturing companies like Scapa. The Group's approach to currency risk is set out below with Treasury Policies. As a manufacturer, Scapa clearly can be affected by cost pressures associated with raw material pricing and availability, developments in international tariffs and legislation and changes in the overall geo-political climate, including the development of competitors from within low cost economies. Our procurement teams are continually monitoring worldwide sources and markets for our critical raw materials with a view to reducing costs whilst maintaining quality. Where possible, we always aim to have at least two sources of material to reduce the risk of an interruption to supply and to maintain competitive pressure in the supply chain.

Scapa is a significant user of chemicals in its production processes. The Registration, Evaluation and Authorisation of Chemicals (REACH) legislation was adopted by the European Commission in December 2006 and came into force on 1 June 2007. The potential impact of this legislation is discussed in the Environmental section of this report. We believe that the REACH legislation will have a limited impact on Scapa over the next three to five years. The Group has, however, initiated a series of projects to ensure that Scapa is compliant with the standards that have been set.

The Group operates three UK defined benefit pension schemes with significant funding deficits. Defined benefit pension schemes are inherently more risky for an employer than defined contribution schemes because the cost and cash funding requirements of the former are potentially subject to a high degree of volatility. The closure of the UK defined benefit pension schemes to new members and future service accrual has reduced this risk for Scapa but the assumptions and performance underlying the remaining assets and liabilities are still subject to uncertainty and change.

The three UK schemes were revalued during 2006 based on the position as at 1 April 2006, and new contribution funding levels were agreed with the Trustees. Whilst these agreements extend to 2023/24, they are subject to review and potential change every three years (the 'Triennial Review') for the ongoing appropriateness of the underlying assumptions and contribution levels. The next review has commenced and is based on the schemes' financial position as at 1 April 2009. As with almost all other UK groups with pension exposures, longevity assumptions are under pressure to increase in line with rising life expectancy and this could potentially increase the deficits within the scheme on a funding basis. The Group's view is that affordability is the key factor in agreeing new contributions in the coming year. The scheme Trustees understand this and are conscious of the current economic environment and the need for a healthy sponsoring employer.

In summary, we have continued to adopt a detailed review process at all levels of the business to monitor and control business risks throughout the past year, whilst working to continuously improve this part of our activities. The successful on-time extension and implementation of our European SAP

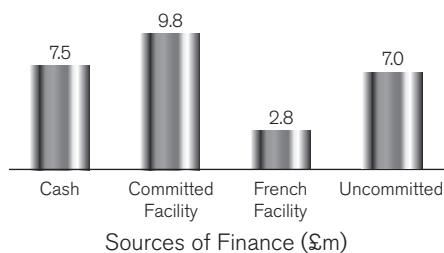
system to all of our sites in North America during the year has significantly mitigated a major business risk of the legacy IT system in that region. This is in addition to many other business benefits including financial control and reporting as well as monetary savings. Principal risks to the business are reviewed on a regular basis by the senior management team and the Group Board and remedial action plans are developed as and when appropriate. Overall we continue to consider that the policies and monitoring systems which are in place and which have been reviewed regularly throughout the year remain sufficient to effectively manage the risks associated with our business.

## Treasury policies

Treasury operations are managed as part of the worldwide finance function and are subject to policies and procedures approved by the Group Board. Corporate Treasury co-ordinates treasury activities throughout the Group and seeks to reduce financial risk, ensure sufficient liquidity is available to the operations and invest surplus cash. Corporate Treasury does not operate as a profit centre and does not take speculative financial positions. Very limited use is made of derivative financial instruments. Corporate Treasury advises operational management on financial risks. Forward exchange contracts to hedge transactional exposures on overseas operations are dealt with individually by the operating businesses in accordance with Group policies and procedures using forward foreign exchange contracts and currency overdrafts.

## Funding requirements

At 31 March 2009 the Group had committed unsecured facilities of US\$15.0m, none of which was utilised. The Group also had uncommitted short-term and overdraft facilities of up to £2.0m in the UK and €8.4m overseas. Of the uncommitted facilities, €3.0m relates to a French facility that can only be withdrawn by mutual consent. Further details on the Group's debt maturity profile are shown in note 19 to the accounts. Subsequent to the year end, US\$3.0m of the committed facility was drawn down to part-finance the major expenditure undertaken in North America in 2008/9. Finance leases for £0.8m of UK capital acquisitions made or ordered last year for delivery this year have also been put in place. Both of these measures serve to protect the Group's cash reserves and position us to take investment opportunities if and when they arise.



The above chart shows the different types of funding resource (£27.1 m) available to the Group. The Group expects to remain in a net cash position throughout the coming year. The intention exists, however, to make use of bank borrowings and finance leases to optimise the Group's overall borrowing capability.

### Currency risk management

Most of Scapa's assets and currency flows are denominated in currencies other than Sterling. The Group is broadly equally exposed to Sterling, US Dollars and Euros (approximately 25% each) with the balance made up of Canadian Dollars, Swiss Francs and various smaller currencies. This broad range of exposures provides a form of 'natural hedge'. In the current year the impact on the Group's Balance Sheet of the continued strong Euro was further enhanced by the stronger US Dollar. Whilst the Canadian Dollar was relatively stable against Sterling, its weakening against the US Dollar helped support our Canadian business.

In general terms it is Group policy to match, where cost effective and practicable, the currencies of costs to revenues and the currencies of liabilities to assets. The majority of the Group's net cash is denominated in Sterling, thus reducing part of the translation exposure on the Balance Sheet. Local operational borrowings (overdrafts) are serviced by local cash flows reflecting local profits, so in turn the Income Statement is partially and internally hedged against currency movements. The Group does not hedge directly the translation exposure of the Income Statement, whether by use of options or other derivatives. The Group does not create or maintain any speculative risk exposures.

### Interest rate risk management

Management of the Group's exposure to interest rates for borrowings and deposits has been largely weighted towards floating rate debt with the exception of finance leases where fixed rates are in place. In accordance with Board approved policy, this exposure is reviewed regularly in order to maintain an appropriate mix of fixed and

floating rate borrowings. Given the low level of interest rates around the world and lower average cash balances for the Group, the Corporate Treasury focus is currently on exploring opportunities for small but effective low cost borrowings in overseas territories that can be serviced by local cash flows at an appropriate level of risk. Typically these would take the form of finance leases for new assets or low levels of borrowings secured against local assets. This work has improved, and will further improve, the Group's average cost of capital. Cash held on deposit is typically invested for periods ranging up to three months.

### Counterparty credit risk management

Counterparty credit risk arises from the investment of surplus cash and the use of financial instruments. The Group restricts transactions to banks that have a defined minimum credit rating and limits the individual and aggregate exposure to each bank. During the year three additional banks were added to the Group's approved institutions list for the holding of deposits to spread our deposit risk. In certain emerging markets the Group has taken out territorial credit risk insurance to mitigate the risks of doing business in those countries. Where appropriate, the Group also transacts using Letters of Credit.

### Contingencies and legal proceedings risk management

The Group monitors all material contingent liabilities including matters relating to the environment, through a process of consultation and evaluation which includes senior management, and internal and external advisers. This process results in an evaluation of potential exposure and provisions are made or adjusted accordingly by reference to accounting principles. Therefore the Group is providing for contingencies which are anticipated to be more likely than not to become payable in the future.

Various Group companies, along with many other non-Scapa Group businesses, are named as defendants in claims in which damages are being sought for personal injury arising from alleged exposure to asbestos. Based on advice from legal counsel the Company believes that it has strong defences to the claims asserted in these proceedings and intends to vigorously defend such claims. In over ten years of successful defence in the USA no Scapa Group company, nor any of its insurance carriers, has admitted liability nor made any payment

to any plaintiff under our policies. Accordingly, our insurance coverage remains intact and the Board will continue to defend vigorously the outstanding claims. However this litigation still poses a potential risk to the Group. Advice is continually being sought to ensure that these risks are managed in an appropriate manner. The Directors believe, having taken advice from legal counsel, that it is unlikely that significant uninsured liabilities will arise from this litigation.

### Environment 2008/09 performance

Scapa as a Group recognises the importance of managing the consumption of the world's natural resources as well as providing a safe and healthy working environment for its employees.

Clearly, however, the successful growth of our business will lead to the consumption of more resources, on an absolute basis. We therefore attempt to reduce, or where possible eliminate, the amount of resource consumed for each unit of production. This has the double benefit of improving profitability whilst reducing the size of our environmental footprint (again, on a unit of production basis). The Group routinely undertakes audits of our environmental and health and safety programmes.

### Air emissions

Scapa actively seeks to minimise the discharge of VOC's, particulates, and odour into the atmosphere. Solvent based adhesive coating processes are used in many locations throughout Scapa. Evaporated solvents are captured and effectively destroyed using modern thermal oxidisers or condensed using solvent recovery systems. All sites using thermal oxidizers undergo strict third-party testing to ensure that all legislated requirements are met or exceeded. Our Italian site has installed a state-of-the-art solvent recovery system that will allow for re-use of solvents within existing processes.

### Solvent purchases

While Scapa utilises solvent based adhesives in all regions, much work is underway to reduce the quantity of process solvent for environmental and cost reasons. Work continues in our R&D teams to develop UV curable adhesives and processes to completely eliminate the use of solvents for specific applications. Renfrew and Ashton sites manufacture an extensive line of tape products utilising solid adhesive formulations with no requirement of solvents within the coating process.

# Business Review

## Oil consumption

There is no significant use of oil within Scapa operations and where it is used it is predominantly for equipment lubrication. Lubrication oils are tested for maximum duration of use and disposed of through licensed disposal agents meeting all local and regional environmental standards.

## Gas and electricity consumption

Gas and electricity remain significant inputs to Scapa processes in all regions. Constant reduction of energy demand is a key component of the Scapa environmental programme. A number of initiatives to install intelligent power control systems have been completed in the year to help reduce consumption.

## Manufacturing waste

As noted previously, the Group is implementing Lean manufacturing techniques in three pilot sites in the first half of 2009/10. Once proven and lessons learned, all major manufacturing facilities will also adopt Lean. As a discipline focused on various forms of waste, this will have a positive impact on our environmental footprint as well as the Group's profit. Some examples of current initiatives include:

- Major investments throughout the Group to reduce the amount of waste sent to landfill.
- Carlstadt reduced hazardous waste volume for 56% in 2009 as an active plan to improve environmental performance in this area. Much of the gain is the result of improved equipment cleaning methods that reduced the volume of cleaning materials.
- In North America additional targeted data now available for the first time from the newly-implemented SAP system will help achieve major waste reduction targets.
- Due to ongoing investment in improved electrical devices and energy usage practices (power factor correction through capacitor banks, more efficient motor drive systems, variable speed air compressors and surveillance of operational control) Renfrew's electrical consumption was reduced by almost 800,000 kWh in 2009 as compared to 2008. This represents a 9.2% reduction from previous electricity usage.
- For the tenth consecutive year the Inglewood site received a WRAP Award (Waste Reduction Awards Program) from the California Integrated Waste Management Board. 48.1% of the Inglewood waste stream was re-directed from landfill through recycling and re-use efforts.

## Reach

During the year Scapa Europe completed the first phase of a programme of work started in 2007 to ensure that each operating company and their raw material suppliers complied with their obligations under the Reach legislation. All materials used to manufacture Scapa products were pre-registered with the European Chemical Agency (ECHA) by the June 2008 deadline, thereby giving assurance to customers of our ability to continue to supply all current products.

In October 2008 the ECHA published a candidate list of substances of very high concern (SVHCs) that will require authorisation for continued use after 2011. Two of these materials are used to manufacture some Scapa products and all customers are being notified in accordance with the requirements under the legislation.

Whilst it is expected that both materials will receive authorisation from the ECHA for continued use in the vast majority of applications, we have nevertheless instigated a development programme to substitute the substances from Scapa products.

We therefore believe that Reach poses no significant risk to our European business and that the cost of compliance will be negligible.

## Health and Safety – Vision and Strategy

Our Vision to be World Class extends to our safety performance as much as any other part of the business. Our ultimate aim is, and must only be, to achieve a result where none of our employees comes to any harm whilst engaged in Scapa business. The Group realises that this is an extremely challenging goal that can only be achieved through constant vigilance and continuous improvement in the working environment and business processes, but above all through the attitude and behaviour of every single member of staff.

Scapa and its employees agree that the delivery of a safe working environment and safe systems of work is a shared responsibility. The Board believes that it is the 'tone at the top' that is a key driver of the Group's safety culture. The Board is committed to reinforcing and improving health and safety activities within all sites to ensure the constant well-being of our employees. Standards of performance are set and monitored by the Board and safety KPIs form a key part of the Group's balanced scorecard. The Scapa Executive Team is responsible for providing guidance, focusing on best practices and overseeing auditing of our manufacturing sites and processes.

## Health and Safety – Review of performance

The Board safety targets for the year of 2008/09 were a minimum 10% annual improvement in all KPIs. This priority is strongly reinforced by the Board who remain directly involved in monitoring performance on a regular basis. Key focus areas include:

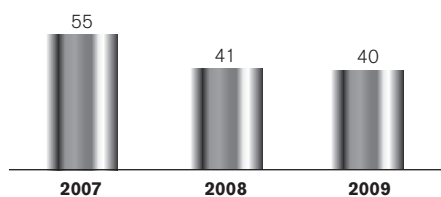
- Operational housekeeping and business audits
- Proper and improved use of Personal Protective Equipment
- Machine guarding
- Ergonomics
- Material handling and storage
- Counter balance and fork truck improvements
- Employee training
- Auditing of Health and Safety policies and practices

In addition our key safety opportunities process identified a further 808 ideas for potential improvement in our facilities during the year.

All sites within the Group report Key Performance results monthly and are audited at least twice a year against a standard audit template to ensure a consistently high level of compliance and continuous improvement. Our internal accident investigation process has undergone a step change this year and every serious incident or accident has been reviewed by the regional Operations Directors, local management teams and, in the most serious cases, the Board.

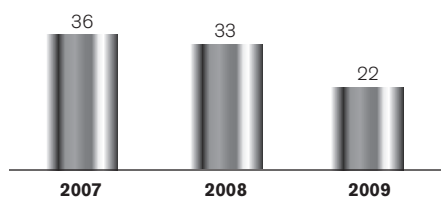
Performance against the key metrics monitored by the Board is set out below:

**Lost time accidents:** The Group missed the 10% reduction target with a marginal 2% improvement during the year. Europe achieved a 22% reduction in the year (eight fewer accidents). However, North America saw six more accidents than the prior year (which had only four accidents). Asia had one lost time accident.

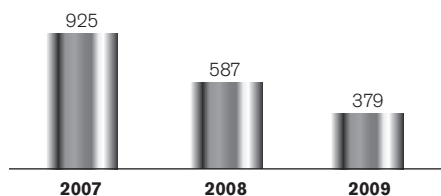


**Accidents greater than 4 days off work:**

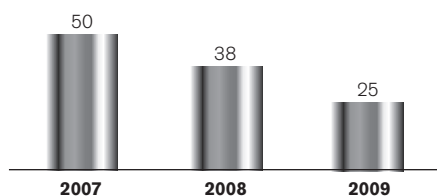
The Group outperformed the 10% reduction target with a 33% improvement during the year in this category of more serious accidents (11 fewer accidents). Europe again performed well with a 42% improvement compared to the prior year, although still incurring an unacceptably high 18 accidents. North America had one additional accident, for a total of three in the year. Asia had one lost time accident in this category. The improvement in the European position is the welcome result of efforts by all our staff and management. The North American result is still, however, the internal benchmark for the Group.



**Lost time days:** The Group exceeded the 10% reduction target with a 35% improvement during the year (208 fewer lost time days). Europe achieved a 47% reduction in the year (241 fewer lost time days). North American lost time days were flat year-on-year. Asia had its first significant block of lost time days in respect of the accident mentioned above (32 days).



**Reportable incidents:** The Group exceeded the 10% reduction target with a 34% improvement during the year. Europe reduced the number of reportable accidents by 30% whilst North America achieved a 100% reduction with no reportable accidents.



Our overall performance on Health and Safety measures is improving year-on-year, admittedly from relatively high levels. The breakdown of performance into regions and sites continues to show a very diverse range of performance. Europe employs 736 people and has made the most progress during the year, particularly in France and Switzerland, with improvements in excess of 20% in all four categories, with two being in excess of 40% better. By comparison, in North America where we employ 429 staff, our performance in each category is still significantly better with accident rates and lost time days per employee being approximately half of the same European rates. Our Asian team, whilst small, is proving very effective in managing safety risks and implementing improvements to processes and the working environment.

Within Europe, performance varies significantly between sites. Italy has achieved an excellent zero rating on all four metrics for the second year in a row. Most pleasing is that the poorer results reported last year in France (which employed one-third of European personnel but attracted two-thirds of the accidents incurred) have made significant strides forward with a greater than 35% improvement in all categories. The improvement in our Swiss plant was higher still.

The disparity in performance between regions is leveraged to drive focus and effort in Europe to match the performance of North America where management still seeks to make further improvements and to share those practices with colleagues throughout the Group.

Working groups are in place to share best practices and peer reviews are taking place. A number of new initiatives have been rolled out in Europe this year with strong support and involvement of our workforce and their representatives. The new global audit process is functioning well and a critical project examining all of our equipment for sources of sparks and ignition has been completed with a significant improvement and hence reduction in the risk of potential fire or explosion.

**2009/10 Health and Safety goals:**

The ultimate goal for all Scapa sites remains zero accidents and zero lost days. We believe strongly that establishing goals any less than this target would send the message that some level of injury due to work-related accidents is acceptable. We aim to make continued annual improvements to our performance and for the next financial year the Board has raised the bar for the coming year to a 20% annual improvement in all safety KPIs (10% target in 2008/09). In order to better benchmark ourselves against other companies in the same sectors and geographies, we are also adopting the internationally recognised OSHA standards for Days Away Case Rates and Lost Time Accidents and will include these new metrics in monthly and annual reporting.

## The Board



**C J O'Connor**  
Chief Executive

Calvin O'Connor joined the Board as Group Chief Executive in October 2005. He has extensive industrial experience covering a wide range of international markets, products and manufacturing processes. Calvin's initial career was with Courtaulds plc before joining the Board of British Vita PLC in 1996. From 2001 to 2005 he was Managing Director of Vita's £400m Industrial Polymers business.



**S D Lennon**  
Chief Operating Officer

Steve Lennon joined Scapa in 1990 and was appointed to the Board on 1 February 2005 as Chief Operating Officer with responsibility for all commercial and operational activities in the European, North American and Asian regions of Scapa. Steve was President of Scapa Tapes North America and previously worked for Touche Ross & Co where he held a variety of general management, operational and financial positions.



**B T Tenner**  
Finance Director

Brian Tenner joined Scapa as Group Finance Director on 14 June 2007. Brian is a chartered accountant who spent his early career with PricewaterhouseCoopers before moving into industry. His most recent role was as Finance Director of British Nuclear Group Ltd.



**J A S Wallace**\* § °  
Chairman

James Wallace joined the Board on 30 August 2007 and became Chairman on 1 October 2007. An accountant by qualification, he spent the majority of his executive career at Pifco Holdings PLC until 2001. James was Chairman of Bodycote plc until April 2008 and is currently Non-Executive Director of NCC Group plc and Manchester Airport Group plc.



**R J Perry**\* § °  
Non-Executive Director

Richard Perry is currently Group Finance Director of Fenner PLC to which position he was appointed in 1994. He was formerly a senior audit partner with Price Waterhouse. Richard was appointed to the Scapa Board on 1 June 2005.



**M C Buzzacott**\* § °  
Non-Executive Director

Mike Buzzacott joined the Board on 1 March 2008. Mike has extensive experience of the global chemicals industry where he spent 14 years in operational roles in BP Chemicals before retiring as Group Vice President Petrochemicals in 2004. Mike is currently Non-Executive Director at Croda International Plc and Genus plc.



**M R Stirzaker**  
Company Secretary and General Counsel

Mark Stirzaker is a UK qualified solicitor and joined Scapa in January 2006 with responsibility for its company secretarial and legal affairs worldwide. He has extensive experience of commercial legal matters in manufacturing industry, having previously been Head of Legal at British Vita PLC for over 20 years.

### Board Committees

- \* Audit Committee
- § Remuneration Committee
- ° Nominations Committee

# Accounts

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# Report of the Directors

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2009.

## Principal activities and business review

Scapa Group plc is the holding company for a group of companies operating in the manufacture and supply of technical adhesive tapes and film. A review of the performance and future development of the Group's business is contained on pages 2 to 11 and forms part of this report and complies with the Companies Act 2006.

## Results and dividends

Trading loss, before tax and exceptional items was £1.0m (2008: profit £9.5m), a decrease of £10.5m. Exceptional items in the year were £5.9m (2008: £0.3m). No interim dividend was paid to shareholders (2008: £nil). The Directors do not recommend payment of a final dividend (2008: 0.75p per share).

A loss before tax of £9.3m (2008: profit £7.4m) was recorded for the year ended 31 March 2009, with basic and diluted earnings per share of 7.5p (2008: 3.1p), affected by the tax credit of £20.2m (2008: charge £2.9m).

## Annual General Meeting

The Annual General Meeting will be held on 28 July 2009 at 100 Barbirolli Square, Manchester M2 3AB. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting will be included in a separate document.

## Purchase of own shares

At the forthcoming Annual General Meeting the Directors will once again seek shareholders' approval, by way of special resolution, for the grant of an authority for the Company to make market purchases of its own shares. The authority sought will relate to up to approximately 10% of the issued share capital and will continue until the Company's next Annual General Meeting. The Directors consider that the grant of the power for the Company to make market purchases of the Company's shares would be beneficial for the Company and accordingly they recommend this special resolution to shareholders. The Directors would only exercise the authority sought if they believed such purchase was likely to result in an increase in earnings per share and it would be in the interests of shareholders generally. The minimum price to be paid will be the shares' nominal value of 5p and the maximum price will be no more than 5% above average middle market quotations for the shares on the five days before the shares are purchased.

## Board of Directors

The names of the present Directors and their biographical details are shown on page 12.

The Articles of Association require each Director to retire and offer himself for re-election by shareholders at least every three years, and also require a minimum of one-third of the Directors to retire by rotation each year.

The Director retiring under the one-third rule is Mr Tenner. The Director retiring in satisfaction of the three-year rule is Mr O'Connor. Under the Articles of Association both will be required to retire as Directors at the Annual General Meeting and seek re-election by shareholders. The Board has evaluated the performance and effectiveness of Mr Tenner and Mr O'Connor and recommends both of them for re-election.

The interests of the Directors in the shares of the Company as at 31 March 2008 and 31 March 2009 are shown in the Directors' Remuneration Report as are details of the Directors' service contracts or letters of appointment. No third party indemnity provisions have been in place for any of the Directors during the year.

## Employees and employment policies

Scapa is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, age, race, colour, nationality, ethnic or national origin, religion, disability, sexuality or unrelated criminal convictions.

Scapa applies employment policies which are believed to be fair and equitable and which ensure that entry into, and progression within, the Company is determined solely by application of job criteria and personal ability and competency.

Scapa aims to give full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist.

Employees who become disabled are given every opportunity and assistance to continue in their positions or be trained for other suitable positions.

Scapa recognises the importance of good communications with employees and acknowledges that there should be clear channels of communication and opportunities for consultation and dialogue on issues which affect both business performance and employees' working lives. As a global business, the mechanisms for achieving this aim vary between different countries and between different businesses within the Group but include in-house newsletters, bulletins and briefing sessions.

A European Forum exists which enables employee representatives in the UK and Continental Europe to discuss overall business issues with senior management of the Group. The Forum holds at least one meeting a year, which is attended by members of the Scapa Executive Teams.

Scapa has a combination of unionised and non-unionised operations across the world and is committed to fostering positive employee relations at all of its locations. Training and links with the educational sector reinforce Scapa's commitment to employee involvement and development.

The Sharesave share option plan gives the opportunity to all UK employees with qualifying service to participate in the equity of the Company. As at 31 March 2009, 93 employees were members of the scheme with 2,947,504 options over shares.

#### **Supplier payment policy**

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The Company had no trade creditors at 31 March 2009.

#### **Research and Development**

The Group's spend on research and development is disclosed in note 3 and is focused on developing new derivative product applications for addressing and resolving customer and market requirements.

#### **Health and Safety**

One of Scapa's primary objectives is to achieve high standards of safety for its employees. Health and Safety is the first standing item on Group Board Meetings and Scapa Executive Team Agendas. Appropriate senior executives, managers and supervisors have defined responsibilities for health and safety and are expected to ensure that the Company's health and safety policy is adhered to. These responsibilities are reviewed regularly on a national and regional basis to ensure appropriate policy development.

Scapa continues to implement a programme of regular health and safety audits and a new global audit process was rolled out during the year. These audits are undertaken across Scapa's manufacturing sites. The purpose of the audit programme is to ensure compliance with health and safety legislation, best safety practices and to aim to secure the well-being of everyone affected by Scapa's manufacturing operations.

#### **Financial risk management**

The Group's approach to managing financial risk is covered on page 38.

#### **Business ethics**

The Company requires compliance by its companies and employees with the laws and standards of conduct of the countries in which it does business. This includes legislation implementing anti-corruption conventions. Employees are required to avoid conflicts of interest regarding Company business, to act lawfully and ethically, and to be responsible for communicating in good faith non-compliance issues of which they become aware.

#### **Political and charitable donations**

It is not corporate policy to make any political donations and, accordingly, no political donations were made during this year. Charitable donations made during this year amounted to £3,110 (2008: £6,881). The majority of charitable donations made, on a discretionary basis, are to organisations based in the vicinity of Scapa sites, especially organisations which support health and educational causes.

#### **Share options**

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in note 22 of the accounts on page 59.

#### **Major shareholders**

The Company has been notified that the following have an interest of 3% or more in the issued share capital of the Company, as at 28 May 2009:

	%
Silchester International Investors Ltd	12.61
Cazenove Capital Management	9.83
Arch Financial Products	8.02
Rights & Issues Investment Trust	7.20
Investec Asset Management	6.58
Mackenzie Financial Corporation	5.95
River & Mercantile Asset Management	4.95
Deutsche Bank AG	4.95
M&G Investment Management	3.57

## Report of the Directors

### Takeover directive

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual directors' holdings is disclosed on page 21. There are no other significant holdings of any individual.

### 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 ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

By order of the Board

**M R Stirzaker, BA, Solicitor**

Company Secretary

28 May 2009

Registered Office:

Manchester Road

Ashton-under-Lyne

Greater Manchester

OL7 0ED

# Directors' Remuneration Report

This report describes the role and composition of the Remuneration Committee ('the Committee'), the Company's remuneration policy and the arrangements currently applicable for the remuneration of Executive and Non-Executive Directors. The report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, although the Regulations do not strictly apply to an AIM listed company. A resolution to approve the report will be proposed at the Annual General Meeting 2009.

The parts of the report which are subject to audit by PricewaterhouseCoopers LLP are indicated with an asterisk (\*). All other parts of the Directors' Remuneration Report are unaudited.

## Remuneration Committee

The Committee is comprised of the Non-Executive Directors of the Company, namely Mr Wallace, Mr Buzzacott (Chairman of the Committee) and Mr Perry. The members of the Committee have no personal financial interest in the Company other than as shareholders and the fees paid to them as Non-Executive Directors. The Company Secretary acts as secretary to the Committee.

The Chief Executive is not a member of the Committee but is invited to attend meetings if appropriate. The Committee liaises with the Chief Executive regarding proposals concerning the remuneration of the Chief Operating Officer, the Group Finance Director and other specified senior executives. The Chief Executive is not present when the Committee considers issues relating to his remuneration.

The Committee determines, on behalf of the Board, the Company's policy on the remuneration of the Executive Directors. The Committee determines the total remuneration packages for these individuals, including the recruitment terms, remuneration benefits, employment conditions, pension rights and any compensation payments on termination of office. The Committee also determines the remuneration framework for other specified senior executives. The Committee met five times in the year to 31 March 2009 and all members of the Committee attended each of the meetings.

## Advisers

The Committee takes professional advice from within and outside the Company when it feels it to be appropriate to do so.

## Remuneration policy

The Committee's policy for the remuneration of Executive Directors aims to:

- pay basic salaries which equate with those paid by other comparator companies of similar market capitalisation and business sector;
- provide executives with opportunities to increase their remuneration by the attainment of key short-term and longer-term objectives;
- encourage the holding of shares in the Company (including the retention of shares acquired via company share-based plans);
- provide incentives which aim to align the interests of executives and shareholders and promote the creation of long-term value.

## Components of remuneration

The components of the remuneration packages for Executive Directors are as follows:

### Basic salaries

This is a fixed cash sum, payable monthly. Salaries are reviewed annually by the Committee in the light of individual performance and market comparisons for similar jobs. Factors considered for comparison purposes include company type and sector, measures of company size and degree of international scope. Any changes made to the Executive Directors' salaries normally take effect from 1 April. The Committee has decided that there shall be no increase in the basic salary of the Executive Directors for the year commencing 1 April 2009. The basic salaries of the Executive Directors for the year ending 31 March 2009 are set out in the table on page 18.

### Annual bonus

The Company operates a bonus scheme for the Executive Directors and senior executives based on a percentage of basic salary at the start of the financial year. Bonus payments are not pensionable. The basis of the Executive Directors' bonus scheme and the targets to be attained are reviewed annually by the Committee.

For the year ended 31 March 2009 the bonus scheme was based on year-on-year improvement in operating profit plus an element relating to improvement in trading working capital. A sliding scale was fixed based on improvement against the prior year's operating profit. No payment would be made for achievement below that figure. In respect of Mr O'Connor the profit-related element was capped at 60% of basic salary and the working capital related element was capped at 15%. In respect of Mr Tenner and Mr Lennon these elements were capped at 48% and 12% respectively. Having reviewed the Company's results, the Committee did not approve the payment of any bonus to the Executive Directors for the year ended 31 March 2009.

In respect of 2009/10 the Committee has decided that the focus of the bonus scheme should remain year-on-year improvement in operating profit but include a stronger element relating to improvement in trading working capital and cash performance, which the Committee feels is important in maintaining the strength of the Company's Balance Sheet during the difficult economic environment in which the Company is operating. Accordingly, a sliding scale has been fixed based on performance improvement against the budgeted operating profit for 2008/09. No payment will be made for achievement below 50% of that figure and the top of the scale will not be earned unless performance is 125%

## Directors' Remuneration Report

of that target. In respect of Mr O'Connor the profit-related element is capped at 37.5% of basic salary and the cash related element is also capped at 37.5%. In respect of Mr Lennon and Mr Tenner these elements are capped at 30% and 30% respectively.

### Benefits in kind

In addition to pension provisions, Executive Directors are also entitled to car allowances, private medical insurance, permanent health cover and life assurance.

### Executive Directors' emoluments\*

The elements of Executive Directors' remuneration for the year ended 31 March 2009 are set out in the following table:

	Basic salary (excluding pensions) £	Annual bonus (payable June 2009) £	Benefits in kind (excluding pensions) £	Total emoluments (excluding pensions) 2009 £	Total emoluments (excluding pensions) 2008 £
C J O'Connor	251,250	–	15,166	266,416	400,066
S D Lennon <sup>§</sup>	220,704	–	25,215	245,919	334,555
B T Tenner	175,250	–	10,464	185,714	204,562
	647,204	–	50,845	698,049	939,183

<sup>§</sup> Based in the USA

Dollar/Sterling exchange rates used are the average prevailing for the relevant year.

Aggregate emoluments for all Executive and Non-Executive Directors for the year ended 31 March 2009 were £835,632. Aggregate emoluments for all Executive and Non-Executive Directors for the year ended 31 March 2008 were £1,018,555. No Director waived emoluments in respect of the years ending 31 March 2009 or 31 March 2008.

### Pension arrangements\*

Mr O'Connor and Mr Tenner are not members of a Group pension scheme and have made their own independent pension arrangements into which the Company paid contributions totalling £87,938 and £43,812 respectively for the year to 31 March 2009. Mr Lennon is a member of defined benefit and defined contribution plans operated by Scapa North America. Company contributions to the defined contribution plans in which Mr Lennon participates totalled £22,070 for the year to 31 March 2009.

### Defined Benefit Scheme – USA

	Accrued pension at 31.03.09 £ p.a.	Increase in accrued pension during the year £ p.a.	Accrued pension at 31.03.08 £	Value of net increase in accrual in the year (net of contributions) £	Transfer value of accrued pension at 31.03.09 £	Transfer value of accrued pension at 31.03.08 £	Transfer value in the year (less director's contributions) £
S D Lennon	68,933	6,853	62,080	54,082	543,976	514,195	29,781

### Notes

- (1) Mr Lennon is eligible to receive benefits under three separate defined benefit plans in the USA: one qualified plan and two non-qualified plans. The results shown above are the sum total of these three plans and are shown at the average prevailing Dollar/Sterling exchange rates for the relevant year. These plans do not allow the participant to make contributions to the plan.
- (2) The accrued pensions are the amounts which would be paid if the Director left service at the relevant date, but ignoring any vesting or eligibility requirements under the plan.
- (3) Inflation imbedded in the accrued benefit amounts has been assumed to be zero for the purpose of calculating the increase in accrued pension net of inflation.
- (4) The employer makes contributions to the qualified plan, but these contributions are not allocated to any specific plan participant. The two non-qualified plans are unfunded from the plan's perspective. However, a rabbi trust does exist for these two plans and Scapa has made contributions to the rabbi trust. These contributions belong to the Company and not the participant.
- (5) The concept of transfer values does not exist in US defined benefit plans. However, these three defined benefit plans do allow the participant to receive a lump sum benefit if they meet certain eligibility requirements. The lump sum benefits under these three plans have been calculated using the provisions outlined under each plan, but ignoring these eligibility requirements. The calculation of lump sum benefits is regulated by the IRS for qualified plans. The Scapa non-qualified plans use the same provisions for calculating lump sum benefits as the qualified plan.

### Executive Share Options

Under the 1994 US Stock Option Plan (which expired on 21 July 2004), options may be granted over shares at the prevailing market price and are exercisable between the third and tenth anniversary of grant, provided certain criteria have been met.

Options granted since 1999 under the 1994 US Stock Option Plan are only exercisable if the following criterion is satisfied: an option may only be exercised on any particular day (and to the extent specified) that the Company's ranking compared to the ranking of FTSE Small Cap companies (excluding investment trusts) in terms of total shareholder return (TSR) over the previous three-year period is at least in line with the following table:

### Position of the Company compared to FTSE Small Cap Companies in terms of TSR increase

	Percentage of Option which may be exercised
Median	40%
Between 51st and 74th percentiles	Pro rata on a straight line basis between 42.4% and 97.6%
75th percentile and above	100%

Mr Lennon has been awarded options as shown below in accordance with the 1994 US Stock Option Plan\*.

	Year	Options as at 1 April 2008	Options as at 31 March 2009	Exercise price £	Dates exercisable
S D Lennon	1999	80,000	<b>80,000</b>	<b>1.71</b>	10.08.02 to 09.08.09
	2000	80,000	<b>80,000</b>	<b>1.39</b>	07.06.03 to 06.06.10
	2001	8,000	<b>8,000</b>	<b>0.945</b>	16.07.04 to 15.07.11
	2002	17,500	<b>17,500</b>	<b>0.49</b>	21.06.05 to 20.06.12
		185,500	<b>185,500</b>		

No options were awarded or exercised during the year. All options were granted in respect of qualifying services. None of the terms and conditions of the share options were varied in the year.

### Executive Share Options (2004 Plan)

The Company operates an Executive Share Option plan for senior executives in the UK and overseas, namely the Scapa Group plc 2004 Executive Share Option Plan which was approved by shareholders at the Company's Annual General Meeting on 22 July 2004.

The 2004 Plan provides a potential reward in shares for improvement in Company performance reflected in the share price. The option provides the opportunity to purchase shares at a fixed exercise price dependent on achievement of predetermined performance targets.

The 2004 Plan has two parts: an Unapproved Discretionary Share Option Plan (the 'Unapproved Part') and an addendum containing an Inland Revenue approved Discretionary Share Option Plan (the 'Approved Part'). The Approved Part of the 2004 Plan can be used to grant options to UK residents with an aggregate value not exceeding £30,000. All other grants of options over and above the £30,000 threshold and those made to overseas employees are granted under the Unapproved Part of the 2004 Plan. Options only become exercisable, in normal circumstances, three years after the date of grant and then may only be exercised if certain performance criteria are met. Options remain exercisable until the tenth anniversary of their date of grant, after which they lapse.

The ability to exercise the option is dependent upon the achievement of predetermined performance targets based on growth in adjusted earnings per share (EPS) over changes in the retail price index (RPI). The current target set by the Committee is compound annual growth of RPI plus 4% per annum at which 50% of the options will vest. At RPI plus 5% per annum 75% of the options will vest and at RPI plus 6% per annum 100% of the options will vest.

Under the 2004 Plan, the Committee has the discretion to grant awards up to a maximum of 150% of salary per annum. Options may be granted under the Executive Share Option Plan in the same year as awards under the Performance Share Plan subject to a review of the overall expected value.

## Directors' Remuneration Report

Awards made under the 2004 Plan are as follows\*:

	Year	Options as at 1 April 2008	Options as at 31 March 2009	Exercise price £	Dates exercisable
C J O'Connor	2006	500,000	<b>500,000</b>	<b>0.2225</b>	01.09.09 to 31.08.16
	2007	375,000	<b>375,000</b>	<b>0.2925</b>	20.08.10 to 19.08.17
		875,000	<b>875,000</b>		
S D Lennon	2006	150,000	<b>150,000</b>	<b>0.2225</b>	01.09.09 to 31.08.16
	2007	150,000	<b>150,000</b>	<b>0.2925</b>	20.08.10 to 19.08.17
		300,000	<b>300,000</b>		
B T Tenner	2007	250,000	<b>250,000</b>	<b>0.2925</b>	20.08.10 to 19.08.17
	2008	–	<b>125,000</b>	<b>0.2725</b>	08.07.11 to 07.07.18
		250,000	<b>375,000</b>		
		1,425,000	<b>1,550,000</b>		

No options were awarded or exercised during the year. All options were granted in respect of qualifying services. None of the terms and conditions of the share options were varied in the year.

### Long Term Incentive Plan

The Company has a long term incentive plan that operates internationally known as the Scapa Group plc 2004 Performance Share Plan, which was approved by shareholders at the Annual General Meeting on 22 July 2004 with the first awards made shortly thereafter. The plan has been designed to provide progressive levels of reward in the form of Company shares for the achievement of challenging levels of performance.

Executive Directors and selected senior executives are invited by the Committee to participate in the plan. Awards under the plan take the form of either an annual allocation of ordinary shares or a grant of Nil Cost Options over shares with a market value at the time of grant equivalent to a maximum of 100% of basic salary at that time with vesting taking place at the expiry of the three-year performance period of the plan, subject to attainment of the performance targets.

Awards in the form of an allocation of ordinary shares lapse at the end of the three-year performance period to the extent that the performance conditions have not been met. Awards in the form of a Nil Cost Option remain exercisable until their tenth anniversary of the date of grant, subject to achievement of the performance conditions, after which they lapse.

The Committee is responsible for setting the performance criteria and targets and takes independent advice in doing so. The Committee considers total shareholder return (TSR) to be one of the key performance measures over which the financial value of the Company is assessed over the medium to long term. The use of TSR measured against the constituents of the FTSE All Share Index is considered a suitably challenging criterion in the current market. The Committee believes that this method of calculating performance provides an independent and verifiable measure of the Company's performance.

A minimum level of performance must be achieved for any award to vest. The performance targets for the awards made in 2006 and 2007 require the Company's TSR performance when measured against the FTSE All Share Index to be at least at the median level for any portion of the award to vest, at which level 25% of the award will vest. 75% of the award will vest for top quartile performance, and 100% of the award will vest for top decile performance. Awards vest on a straight line basis for performance between these levels.

Awards made under the 2004 Long Term Incentive Plan are as follows\*:

	Year	Options as at 1 April 2008	Options as at 31 March 2009	Exercise price £	Dates exercisable
C J O'Connor	2006	500,000	<b>500,000</b>	<b>Nil</b>	01.09.09 to 31.08.16
	2007	375,000	<b>375,000</b>	<b>Nil</b>	20.08.10 to 19.08.17
		875,000	<b>875,000</b>		
S D Lennon	2006	250,000	<b>250,000</b>	<b>Nil</b>	01.09.09 to 31.08.16
	2007	150,000	<b>150,000</b>	<b>Nil</b>	20.08.10 to 19.08.17
		400,000	<b>400,000</b>		
B T Tenner	2007	250,000	<b>250,000</b>	<b>Nil</b>	20.08.10 to 19.08.17
	2008	–	<b>125,000</b>	<b>Nil</b>	08.07.11 to 07.07.18
		250,000	<b>375,000</b>		
		1,525,000	<b>1,650,000</b>		

No options were exercised during the year. All options were granted in respect of qualifying services. None of the terms and conditions of the share options were varied in the year.

### Sharesave

The Scapa Group 2001 Sharesave Scheme is an Inland Revenue approved Save-As-You-Earn share option scheme. Options have usually been offered annually, subject to approval by the Group Board, following the publication of the Company's preliminary results to eligible employees (including Executive Directors) in the United Kingdom who have worked a minimum six month qualifying period and agree to save a fixed amount for three or five years under an approved savings contract. Inland Revenue rules limit the maximum amount that can be saved by a participant to £250 per month. In normal circumstances options are exercisable for six months following the completion of a savings contract using the proceeds from that contract. The exercise price is based on the market value of the shares as of the date of grant, less a discount of 20%.

Details of the sharesave options subscribed for by each Executive Director under the schemes are set out below\*:

	Year	Options as at 1 April 2008	Options as at 31 March 2009	Exercise price £	Dates exercisable
C J O'Connor	2008	39,024	<b>39,024</b>	<b>0.246</b>	01.03.11 to 31.08.11
B T Tenner	2009	–	<b>72,115</b>	<b>0.13</b>	01.03.12 to 31.08.12
			<b>111,139</b>		

No options were exercised during the year.

### Non-Executive Directors' remuneration

The remuneration policy for Non-Executive Directors is determined by the Board. Remuneration comprises an annual fee for acting as a Non-Executive Director of the Company and an additional fee for acting as the Chairman of a Board Committee. Non-Executive Directors are not eligible to participate in the Company pension schemes nor any incentive plans.

Non-Executive Directors' remuneration for the year to 31 March 2009 is set out in the following table\*:

	Total Fees £	
	2009	2008
J A S Wallace	<b>70,000</b>	41,372
R J Perry	<b>37,583</b>	35,500
M C Buzzacott	<b>30,000</b>	2,500
	<b>137,583</b>	79,372

The Non-Executive Directors may not participate in annual bonus arrangements, healthcare arrangements, company share option or pension schemes. The Company repays the reasonable expenses they incur in carrying out their duties as Directors.

### Directors' interests

As of 31 March 2009 the Directors and their immediate families had the following beneficial interests in the Company's shares and options to subscribe for shares:

	31 March 2009				31 March 2008			
	Shares	Executive share options	Performance Share Plan	SAYE share options	Shares	Executive share options	Performance Share Plan	SAYE share options
C J O'Connor	<b>750,000</b>	<b>875,000</b>	<b>875,000</b>	<b>39,024</b>	400,000	875,000	875,000	39,024
S D Lennon	<b>175,900</b>	<b>485,500</b>	<b>400,000</b>	–	150,900	485,500	400,000	–
B T Tenner	<b>350,000</b>	<b>375,000</b>	<b>375,000</b>	<b>72,115</b>	150,000	250,000	250,000	–
J A S Wallace	<b>600,000</b>	–	–	–	250,000	–	–	–
R J Perry	<b>225,000</b>	–	–	–	75,000	–	–	–
M C Buzzacott	<b>100,000</b>	–	–	–	50,000	–	–	–
	<b>2,200,900</b>	<b>1,735,500</b>	<b>1,650,000</b>	<b>111,139</b>	1,075,900	1,610,500	1,525,000	39,024

All of the Directors' shareholdings in the Company derive from purchases made in the open market. No shares have been acquired by the Directors as a result of the exercise of share options or by virtue of any Company-sponsored incentive scheme.

From the end of the financial year until 28 May 2009 there have been no changes in the above interests.

The market price of the Company's shares at the end of the financial year was 9.12p and the range of market prices during the year was between 9.12p and 30.50p.

### Individual Service Contracts

Mr O'Connor has a service agreement with the Company on a rolling one-year term basis, effective from 10 October 2005, which is terminable by twelve months' notice in writing by either party.

Mr Lennon has a service agreement with the Company on a rolling one-year term basis, effective from 1 February 2005, which is terminable on twelve months' notice in writing by either party.

## Directors' Remuneration Report

Mr Tenner has a service agreement with the Company on a rolling one-year basis, effective from 14 June 2007, which is terminable on twelve months' notice in writing by either party.

In addition to the normal notice provisions, the Company may also terminate service agreements of Mr O'Connor, Mr Lennon and Mr Tenner at any time with immediate effect on payment in lieu of notice equivalent to twelve months' gross basic salary.

There are no express provisions for compensation payable upon early termination of an Executive Director's contract as at the date of termination other than as detailed above.

It is Company policy that all executive appointments to the Board will have contract notice periods of no longer than twelve months.

Non-Executive Directors, including the Chairman, are appointed for an initial three-year term which may be renewed for two further three-year terms thereafter. The Non-Executive Directors do not have contracts of service and are not entitled to compensation in the event of early termination, for whatever reason. The appointment of the Non-Executive Directors may be terminated by either party by twelve months' notice in writing.

Details of the appointments of the Non-Executive Directors are as follows:

Pursuant to a letter dated 30 August 2007 issued by the Company, Mr Wallace was appointed a Non-Executive Director of the Company with effect from 30 August 2007 and became Chairman of the Company with effect from 1 October 2007. His appointment was for an initial term of three years. The unexpired term of the appointment is therefore one year and five months as of 31 March 2009.

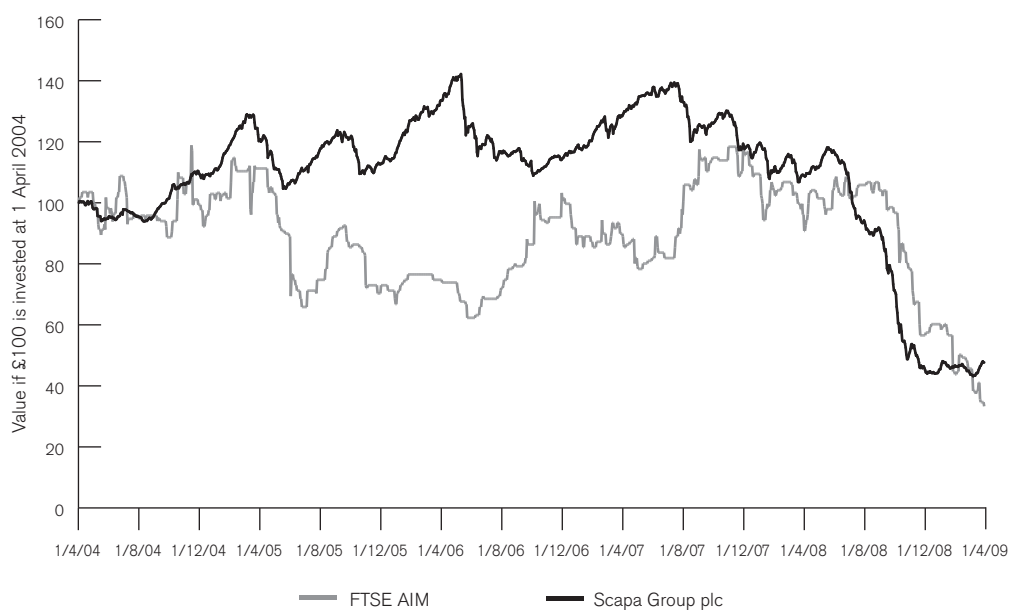
Pursuant to a letter dated 5 May 2005 Mr Perry was appointed a Non-Executive Director of the Company with effect from 2 June 2005. His appointment was for an initial term of three years, which the Board has extended for a further period of three years. The unexpired term of the appointment is therefore two years and two months as of 31 March 2009.

Pursuant to a letter dated 20 February 2008 Mr Buzzacott was appointed a Non-Executive Director of the Company with effect from 1 March 2008. His appointment was for an initial term of three years. The unexpired term of the appointment is therefore one year and eleven months as of 31 March 2009.

### Performance Graph

The graph below shows the Company's TSR (Total Shareholder Return) compared to the FTSE AIM All Share Index over the last five years. TSR is defined as share price growth plus reinvested dividends. In the opinion of the Directors, the FTSE AIM All Share Index is the most appropriate index against which the TSR of Scapa Group plc should be measured because it is an index of similar sized companies to Scapa Group plc.

Relative Returns Analysis of Scapa versus Sector (rebased to 100)



Source Thomson Datastream

**M C Buzzacott**

Chairman, Remuneration Committee  
28 May 2009

# Corporate Governance

## Corporate Governance

On 23 August 2006, the listing of the Company's shares on the Official List of the UK Listing Authority was cancelled and the shares were admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange. As a result, the Company is no longer bound to strict observance of the Combined Code. It is the Company's policy, however, to adhere to the principles of good governance. As a minimum, the Company aims to comply with the Code of Best Practice of the Quoted Companies Alliance and, where appropriate for a company of its size and resources, with the provisions of the Combined Code.

## The Board

The Group is controlled through its Board of Directors. The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board, which meets at least six times in each calendar year, has a schedule of matters reserved for its approval. The full Board met seven times during the 2008/09 financial year and each member attended all of the meetings during the term of his appointment.

The specific responsibilities reserved to the Board include setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place and reviewing the environmental, health and safety performance of the Group. The Board delegates matters not reserved to the Board concerning the management of the business to the Scapa Executive Teams.

## The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is a Non-Executive Director and has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors, ensures Directors receive accurate, timely and clear information and facilitates effective communication with shareholders.

The Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

## Senior Independent Director

Mr Perry is currently the Senior Independent Director. The Senior Independent Director is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through the existing mechanisms for investor communication.

## Directors and Directors' independence

As at 31 March 2009 the Board comprised the Non-Executive Chairman, two independent Non-Executive Directors and three Executive Directors. The names of the Directors together with their biographical details and any other directorships are set out on page 12. All the Directors served throughout the period under review. The Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The Non-Executive Directors meet formally, at least once a year, without the Executive Directors and also meet informally on other occasions.

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities.

The Group maintains, for its Directors and officers, liability insurance for any claims or series of claims against them in that capacity.

The Board considers all its Non-Executive Directors to be independent in character and judgement. No Non-Executive Director has been an employee of the Group; has or had within the last three years a material business relationship with the Group; receives remuneration other than a Director's fee; has close family ties with any of the Group's advisers, Directors or senior employees; holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies; or represents a significant shareholder.

## Professional development

On appointment each Director takes part in an induction programme when they receive comprehensive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board and Committees, and the powers delegated to those Committees, the Group's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. This is supplemented by visits to key locations and meetings with key senior executives. Throughout their period in office the Directors are updated on the Group's business, the competitive environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as a whole. The Directors are also required to update their skills and knowledge by attending appropriate external courses and are required to inform the Company in writing of courses attended during the year.

# Corporate Governance

## Performance evaluation

The Board has established a formal process, led by the Chairman, for the annual evaluation of the performance of the Board, its Committees and individual Directors. The Directors are made aware on appointment that their performance will be subject to an evaluation.

Each year every Board member is obliged to complete a performance evaluation questionnaire. This questionnaire provides a framework for the evaluation process, and provides the Chairman with a means of making year-to-year comparisons. The questionnaire covers the Board; the Remuneration Committee; the Nominations Committee and the Audit Committee. The questionnaire includes specific references to the objectives of the Board and Committees and the effectiveness of the individual Directors. The Chairman collates the results from the completed questionnaire and the results are discussed at Board/Committee level and objectives are agreed for the following year.

Led by the Senior Independent Director the Directors meet annually, without the presence of the Chairman, to conduct a performance evaluation of the Chairman. A similar method to that described above is employed.

## Re-election

Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, Non-Executive Directors are appointed for an initial period of three years. Before the third and sixth anniversary of the Non-Executive Director's appointment, the Director discusses with the Board whether it is appropriate for a further three-year term to be served. The reappointment of Directors who have served for more than nine years (if any) is subject to annual review. The Directors who are subject to re-election at the 2009 Annual General Meeting are listed in the Board of Directors paragraph in the Report of the Directors.

## The Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. The Directors have access to the advice and services of the Company Secretary. The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

## Information

Board reports and papers are circulated to the Directors five days in advance of the relevant Board or Committee meeting. These papers are supplemented by information specifically requested by the Directors from time to time. Minutes of Board and Committee meetings are circulated to all Board members.

The Non-Executive Directors receive monthly management accounts and regular management reports and information which enables them to scrutinise the Group's and management's performance against agreed objectives.

## Relations with shareholders

The Chairman gives feedback to the Board on issues raised with him by major shareholders. This is supplemented by twice-yearly feedback to the Board on meetings between management and investors and external brokers' reports on the Group are circulated to all Directors. The Annual General Meeting is normally attended by all Directors and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

The Group maintains a corporate web site ([www.scapa.com](http://www.scapa.com)) which contains information on company activities, financial information and published financial results. The Group has discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual and interim results with the Group's largest institutional shareholders on an individual basis. In addition, the Group responds to individual ad hoc requests for discussions from institutional shareholders. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Group Finance Director has failed to resolve or for which such contact is inappropriate.

All shareholders, including private investors, have an opportunity at the Annual General Meeting to put questions to members of the Board on matters relating to the Group's operation and performance. The Notice calling the Annual General Meeting is despatched at least 20 working days before the meeting. Separate resolutions are proposed at the Annual General Meeting on each substantially separate issue. The Chairman discloses to the meeting the number of proxy votes received for and against each resolution following the show of hands on that resolution.

## Going concern

In presenting the annual and interim financial statements, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group continues to adopt the going concern basis in preparing the financial statements.

### Internal control system

In accordance with the Turnbull Guidance on internal control, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks to the achievement of the Group's strategic objectives. The process has been reviewed regularly throughout the period by the Audit Committee up to the date of this report, and accords with the requirements of the 2006 Combined Code relating to internal control as set out in the September 1999 'Internal Control Guidance for Directors on the Combined Code' produced by the Institute of Chartered Accountants in England and Wales. The effectiveness of this process has been reviewed regularly throughout the period by the Audit Committee, which reports its findings for consideration by the Board.

The Board has carried out a review of the effectiveness of the system of internal controls, and that review covered all material controls (financial, operational, risk management and compliance).

The processes used by the Audit Committee to review the effectiveness of the system of internal control include:

- at least a six-monthly formal review of the Group's Risk Profile to assess potential risk areas and action plans to address these issues, as declared by senior management;
- the review of internal and external audit plans;
- a six-monthly review of the status of management actions associated with the issues arising from the risk management;
- the review of declared financial control self-assessments against minimum control standards across all locations with a finance presence.

The Scapa Executive Teams meet regularly to review and identify potential areas of business risk, and action plans have been established to address these areas. Progress against these plans is monitored on a regular basis by the senior management team, the Audit Committee and the Board.

The Board has overall responsibility for maintaining and reviewing the effectiveness of the Group's system of internal controls. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. They are designed to manage rather than eliminate the risk to the achievement of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### Control environment and risk assessment

The Group operates a Risk Management Policy and support processes which ensure structured risk identification, assessment and treatment of risk outside of agreed appetite levels as the risks relate to the Group achieving its business objectives. The risk management processes are an integral part of the internal control environment. Other processes include strategic planning, the appointment of senior managers and a clear organisational structure in which levels of authority and accountability are well defined, and regularly reviewed. There is a recognition of personal responsibility and accountability by members of the management teams of the individual operating units.

Wherever practical, duties are segregated and a high degree of management control is exercised through review by executives of historical and forecast financial information. In addition, the Group has reporting systems that identify major financial and other business risks within the Group.

Financial and business performance is regularly monitored, and operating units are responsible for meeting the defined reporting timetables and compliance with the Group accounting and Treasury manuals which set out accounting policies, controls and definitions. Financial reporting follows generally accepted accounting practice in all areas.

Central review and approval procedures are in place in respect of major areas of risk such as acquisitions and disposals, major contracts, capital expenditure, litigation, treasury management, taxation and environmental issues. Compliance with legislation is closely monitored and reviewed regularly to ensure any new legislation is taken into account, including compliance with environmental legislation. High standards and defined targets are set for safety, health and environmental performance.

### Information systems

Comprehensive information systems are maintained at Group and operating unit levels, and are subject to scrutiny by the Board. These include:

- detailed budgeting and forecasting procedures, with an annual budget approval process;
- monthly consideration of actual results compared with budgets and forecasts;
- regular review of the Group's capital expenditure, with detailed appraisal and review procedures, defined authority levels and post-investment performance reviews.

Regular executive and Board meetings, combined with ongoing regional based operational reviews are held with a view to ensuring variances and discrepancies are identified and investigated on a timely basis. The Company also reports to shareholders half-yearly.

# Corporate Governance

## Internal audit

The Group Risk and Assurance function provides an internal audit capability. Against an agreed mandate, this function performs independent internal control reviews and facilitates standardised and structured risk assessment across the Group.

Group Risk and Assurance reviews internal controls in all key activities of the Group, typically over a two-year cycle. It also acts as a service to the businesses by assisting with the continuous improvement of controls and procedures. Actions are agreed in response to its recommendations and these are reviewed by the Board and are followed up regularly to ensure that satisfactory control is maintained using a formal issues tracking process.

Against an agreed Assurance Policy, an audit programme is approved by the Audit Committee each year. This targets the most significant inherent areas of risk to provide comfort that key controls are effectively designed and operational. Audit reports are produced to convey the extent of control assurance derived from the formal testing of controls. Half-yearly summary reports are presented by the Group Risk and Assurance function to the Audit Committee to convey:-

- an up-to-date view of the Group's risk profile;
- details of assurance reviews undertaken during the period;
- an overall assessment of the Group's control environment;
- the status of management actions arising from the risk management and internal and external assurance processes.

## Whistle-blowing policy

The Group has a whistle-blowing policy, copies of which are made available to employees, to enable and encourage employees, regardless of seniority, to bring matters which cause them concern to the attention of the Board.

## Nominations Committee

The Nominations Committee comprises Mr Wallace, Mr Perry and Mr Buzzacott. Mr Wallace acts as Chairman of the Committee. The Nominations Committee met six times during the year. All members of the Committee attended each meeting. When necessary, non-Committee members were also invited to attend. The Nominations Committee's terms of reference can be found on the Group's web site ([www.scapa.com](http://www.scapa.com)).

The Nominations Committee considers the mix of skills and experiences that the Board requires and seeks the appointment of Directors to meet its assessment of what is required to ensure that the Board is effective in discharging its responsibilities.

## Remuneration Committee

During the year the Remuneration Committee comprised Mr Buzzacott, Mr Perry and Mr Wallace. Mr Buzzacott acted as Chairman of the Committee throughout the year. The Remuneration Committee met five times during the year. When necessary non-Committee members were also invited to attend. All members of the Remuneration Committee attended all of the meetings.

The Committee's principal responsibilities are:

- setting, reviewing and recommending to the Board for approval the Group's overall remuneration policy and strategy;
- setting, reviewing and approving individual remuneration packages for Executive Directors including terms and conditions of employment and any changes to the packages;
- reviewing the salary structure and terms, conditions and benefits of employment of other specified senior executives;
- approving the rules, and launch, of any Group share, share option or cash based incentive scheme and the grant, award, allocation or issue of shares, share options or payments under such schemes.

In addition the Committee regularly reviews the Group's remuneration policy in relation to its competitors and industry norms, compensation commitment and contract periods.

From time to time the Board employs Remuneration consultants. The Remuneration Committee's terms of reference are available on the Group's web site ([www.scapa.com](http://www.scapa.com)).

## Audit Committee

During the year the Audit Committee comprised Mr Perry, Mr Wallace and Mr Buzzacott. Mr Perry acted as Chairman of the Committee throughout the year. Mr Perry is Group Finance Director of Fenner plc, a listed company, and can therefore be considered to possess recent and relevant financial experience.

The members of the Committee are the independent Non-Executive Directors.

The Audit Committee met four times during the year and all members attended each of the meetings.

**Corporate Governance**

Under its terms of reference, the Audit Committee monitors the integrity of the Group's financial statements and any formal announcements relating to the Group's performance. The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditors is maintained, including reviewing non-audit services and fees. It also reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group. The Committee also reviews the effectiveness of the internal audit function. The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review.

The Committee meets with Executive Directors and management, as well as privately with both the external and internal auditors. The Committee's terms of reference are displayed on the Group's website ([www.scapa.com](http://www.scapa.com)).

In 2009 the Audit Committee discharged its responsibilities by: reviewing the Group's draft annual financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon; reviewing the appropriateness of the Group's accounting policies; reviewing regularly the potential impact in the Group's financial statements of certain matters such as impairments of fixed asset values and proposed International Accounting Standards; reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditors; reviewing the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks on the accounts, confirmation of auditor independence and the proposed audit fee and approving the terms of engagement for the audit; reviewing reports on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and reviewing the internal audit function, terms of reference, its work programme and reports on its work during the year.

The Audit Committee also monitors the Group's whistle-blowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow-up action.

**Auditors' independence and objectivity**

The Audit Committee monitors regularly the non-audit services being provided to the Group by its external auditors to check these services do not impair their independence or objectivity, and that the Group maintains a sufficient choice of appropriately qualified audit firms. Prior approval of the Audit Committee is required for any services provided by the external auditors where the fee is likely to be in excess of £10,000. In any case activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the Committee for approval prior to engagement, regardless of the amounts involved.

The Audit Committee reviews all services being provided by the external auditors in order to review the independence and objectivity of the external auditors, taking into consideration relevant professional and regulatory requirements, so that these are not impaired by the provision of permissible non-audit services.

Details of the amounts paid to the external auditors during the year for audit and other services are set out in note 3 to the financial statements.

By order of the Board

**M R Stirzaker**

Company Secretary

28 May 2009

## Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and Parent Company 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 that the Group financial statements comply with IFRS as adopted by the European Union, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the Parent Company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**M R Stirzaker**

Company Secretary

28 May 2009

# Independent Auditors' Report to the Members of Scapa Group plc

We have audited the Group financial statements of Scapa Group plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, the Group Accounting Policies and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Scapa Group plc for the year ended 31 March 2009, and on the information in the Directors' Remuneration Report that is described as being audited.

## Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Group financial statements. The information given in the Report of the Directors includes that specific information presented in the Business Review that is cross referred from the Principal Activities and Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Business Review, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report and all other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

## 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 Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Group financial statements.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**Manchester**  
**28 May 2009**

## Consolidated Income Statement

For the year ended 31 March 2009

All on continuing operations

	note	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
<b>Revenue</b>	1	<b>174.0</b>	170.1
<b>Operating (loss)/profit</b>	1, 3	<b>(6.9)</b>	9.2
Trading (loss)/profit*		<b>(1.0)</b>	9.5
Exceptional items and movements in exceptional provisions:			
– Business disposals	4	<b>(0.7)</b>	(0.3)
– Reorganisation costs and exceptional provision movements	4	<b>(4.3)</b>	–
– Impairment of plant and equipment	4, 11	<b>(0.9)</b>	–
<b>Operating (loss)/profit</b>		<b>(6.9)</b>	9.2
Interest payable	7	<b>(0.1)</b>	(0.1)
Interest receivable	7	<b>0.4</b>	0.7
		<b>0.3</b>	0.6
Discount on provisions	7	<b>(0.4)</b>	(0.4)
IAS 19 finance costs	7	<b>(2.3)</b>	(2.0)
Net finance costs		<b>(2.4)</b>	(1.8)
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(9.3)</b>	7.4
Taxation on operating activities		<b>1.6</b>	(2.9)
Taxation on exceptional losses		<b>1.8</b>	–
Exceptional recognition of previously unrecognised deferred tax assets		<b>16.8</b>	–
Taxation credit/(charge)	8	<b>20.2</b>	(2.9)
<b>Profit for the year</b>		<b>10.9</b>	4.5
Weighted average number of shares	22	<b>144.8</b>	144.8
Basic and diluted earnings per share (p)	9	<b>7.5</b>	3.1
Dividend per share (p)	10	<b>–</b>	0.75

## Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2009

All on continuing operations

	note	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Profit for the year		<b>10.9</b>	4.5
Exchange differences on translating foreign operations		<b>17.1</b>	4.5
Actuarial (losses)/gains	21	<b>(8.5)</b>	12.7
Deferred tax on actuarial gains	8	<b>2.4</b>	(0.1)
<b>Total recognised income for the year</b>		<b>21.9</b>	21.6

The notes on pages 33 to 63 form part of these accounts.

\*Operating (loss)/profit before business disposals, impairments, reorganisation costs and movements in exceptional provisions.

# Consolidated Balance Sheet

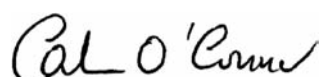
As at 31 March 2009

	note	31 March 2009 £m	31 March 2008 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	12	13.5	9.7
Property, plant and equipment	11, 13	44.8	35.6
Deferred tax asset	8	30.2	5.8
Other non-current asset investments	14	7.0	5.0
		<b>95.5</b>	56.1
<b>Current assets</b>			
Inventory	15	23.0	22.2
Trade and other receivables	16	37.2	40.4
Current tax asset		1.4	0.7
Cash and cash equivalents	17	7.5	15.5
		<b>69.1</b>	78.8
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities:			
– Borrowings and other financial liabilities	17, 19	(0.4)	(0.3)
– Derivative financial instruments	19	(0.1)	(0.3)
Trade and other payables	18	(29.6)	(32.3)
Current tax liabilities		–	(0.7)
Provisions	20	(5.6)	(1.2)
		<b>(35.7)</b>	(34.8)
<b>Net current assets</b>		<b>33.4</b>	44.0
<b>Non-current liabilities</b>			
Financial liabilities:			
– Borrowings and other financial liabilities	19	(0.3)	(0.4)
Trade and other payables	18	(1.9)	(2.3)
Deferred tax liabilities	8	(3.9)	(2.5)
Non-current tax liabilities		(1.3)	(2.5)
Retirement benefit obligations	21	(49.3)	(43.1)
Provisions	20	(9.9)	(8.1)
		<b>(66.6)</b>	(58.9)
<b>Net assets</b>		<b>62.3</b>	41.2
<b>Shareholders' equity</b>			
Ordinary shares	22	7.2	7.2
Retained earnings	23	35.2	31.2
Translation reserve	23	19.9	2.8
<b>Total shareholders' equity</b>	23	<b>62.3</b>	41.2

The notes on pages 33 to 63 form part of these accounts.

These accounts were approved by the Directors on 28 May 2009.

**C J O'Connor**  
Chief Executive Officer



**B T Tenner**  
Finance Director



# Consolidated Cash Flow Statement

For the year ended 31 March 2009

All on continuing operations

	note	<b>Year ended 31 March 2009 £m</b>	Year ended 31 March 2008 £m
<b>Cash flows from operating activities</b>			
Net cash flow from operations	24	<b>1.4</b>	8.5
Cash generated from operations before exceptional items	24	<b>3.9</b>	9.5
Cash outflows from exceptional items	24	<b>(2.5)</b>	(1.0)
<b>Net cash flow from operations</b>		<b>1.4</b>	8.5
Net interest received		<b>0.3</b>	0.6
Income tax paid		<b>(1.4)</b>	(1.9)
<b>Net cash generated from operating activities</b>		<b>0.3</b>	7.2
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(8.9)</b>	(3.7)
<b>Net cash used in investing activities</b>		<b>(8.9)</b>	(3.7)
<b>Cash flows from financing activities</b>			
Dividend paid to shareholders		<b>(1.1)</b>	–
Repayment of borrowings		<b>(0.2)</b>	(0.3)
<b>Net cash used in financing activities</b>		<b>(1.3)</b>	(0.3)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9.9)</b>	3.2
Cash and cash equivalents at beginning of the year	17	<b>15.3</b>	12.0
Exchange gains on cash and cash equivalents		<b>1.8</b>	0.1
<b>Cash and cash equivalents at end of the year</b>	17	<b>7.2</b>	15.3

# Group Accounting Policies

Scapa Group plc (the Company) and its subsidiaries (together the Group) manufacture and sell technical adhesive tapes. The Group has manufacturing plants around the world and sells mainly in countries within Europe, North America and Asia.

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 997 Manchester Road, Ashton-under-Lyne, Manchester, OL7 0ED. The Company has its listing on the Alternative Investment Market.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 May 2009.

A summary of the more important Group accounting policies applied in the preparation of these consolidated financial statements is set out below.

## Basis of preparation

The consolidated financial statements of Scapa Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the Income Statement.

## Early adoption of standards

The Group has not early adopted any standards.

## New accounting standards and IFRIC interpretations

The following standards and amendments to existing standards became mandatory during the year:

IFRIC14, IAS 19 – The limit on defined benefit asset, minimum funding requirements and their interaction. This interpretation has been considered and does not have an impact on the Group's financial statements.

IFRIC11, IFRS 2 – Group and treasury share transactions. The Group's accounting policy for share-based compensation arrangements was already in compliance with the interpretation.

The following interpretations and amendments to existing standards became mandatory during the year. The Group has considered these and believes them to be irrelevant to the Group's operations:

IFRIC13 Customer loyalty programmes, IAS 16 Property, Plant and Equipment, IAS 27 (amendment) Consolidated and separate financial statements, IAS 28 Financial instruments: presentation, IAS 29 (amendment) Financial reporting in hyperinflationary economies, IAS 31 Interests in joint ventures, IAS 38 Intangible assets, IAS 40 Investment property, IAS 41 (amendment) Agriculture, IAS 20 (amendment) Accounting for government grants and disclosure of government assistance, IFRIC15 Agreements for construction of real estates.

The following standards and amendments to existing standards have been published but are not mandatory for the Group's results in the year ending 31 March 2009:

IFRS 2 (amendment) Share-based payments, IAS 23 (amendment) Borrowing costs, IAS 1 (revised) Presentation of financial statements, IAS 32 (amendment) Financial instruments: presentation, IFRS 1 (amendment) First time adoption of IFRS.

IFRS 8 Operating segments will become effective next year. The standard requires a management approach under which segment information is presented on the same basis as for internal reporting. In the current year this has limited impact on the financial statements as internal reporting is performed by geographical region. Changes within the business may alter the way we report internally for the forthcoming financial year. The impact, if any, on the financial statements will be considered for the next financial year.

## Consolidation

The consolidated financial statements include those of the parent company and its subsidiary undertakings up to 31 March in each year prepared under IFRS. The results of subsidiary undertakings acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal respectively.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Group Accounting Policies

## Segmental reporting

A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Group is organised and managed on the basis of three geographical segments: Europe, North America and Asia.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group has only one business segment, being the manufacture and supply of technical tapes and films.

## Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

### (a) Sales 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 Group entity has no continuing managerial involvement nor effective control over the goods.

Where items are sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

### (b) Interest income

Interest income is recognised on an accruals basis within net financing costs.

## Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Leases in which substantially all of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised as assets and liabilities in the Balance Sheet at the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount rate in calculating the present value of the cash outflows. Where the Group does not obtain ownership of the asset at the end of the lease period, the asset is depreciated over the shorter of its useful life and the lease term. Where ownership does pass to the Group at the end of the lease period, the policy for depreciating the asset is consistent with that for depreciable assets that are owned.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is calculated based on the amount of borrowing outstanding, and is charged against profits over the primary lease period.

## Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relate to tangible fixed assets and are treated as deferred income and are credited to the Income Statement over the expected useful lives of the assets concerned.

## Research and development expenditure

Research expenditure is expensed as incurred. Costs associated with developing or enhancing existing product lines are recognised as an expense as incurred.

Development costs are assessed as to whether they meet the IAS 36 criteria for capitalisation. No costs have been incurred by the Group which meet those criteria.

## Exceptional items

Items which are both material and non-recurring in nature are presented as exceptional items so as to provide a better indication of the Group's underlying business performance and are shown separately on the face of the Income Statement.

## Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Group's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the 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 Income Statement, except when deferred in equity as qualifying net investment hedges.

**(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of long-term borrowings that are considered to form part of that net investment, are taken to the translation reserve within shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Business combinations and goodwill**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Goodwill is tested annually for impairment, or when an indication of impairment is identified, and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each site.

**Property, plant and equipment (including land and buildings)**

Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

- Freehold buildings: 40 years
- Leasehold buildings: life of the lease
- Plant and machinery: 5-20 years
- Furniture, fittings and equipment: 5-20 years
- IT systems and software: 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement within operating profit.

## Group Accounting Policies

### Impairment of assets

Assets, such as goodwill, that have an indefinite useful life, are not subject to amortisation and instead are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's sale value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value in use is determined based on the estimated future cash inflows and outflows derived from the continued use of the asset and from its ultimate disposal. These forecasts form the basis of the Group's annual budget, have been signed off by the Board and are the best estimates available to management in assessing future profitability. These cash flows are discounted using the Group's pre-tax weighted average cost of capital, adjusted to reflect any risks specific to the asset for which the estimated future cash flows have not already been adjusted.

Where the recoverable amount of assets subsequently materially increases, impairment losses recognised in previous periods will be reversed.

### Financial instruments

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss and loans, receivables and payables. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its instruments at initial recognition and re-evaluates this designation at every reporting date.

#### (a) Financial assets and liabilities measured at fair value through profit and loss

Financial assets and liabilities are measured at fair value. Instruments in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the Balance Sheet date. Hedge accounting is only applied for net investment hedges, with changes in fair value being taken directly to the translation reserve where hedge accounting is achieved. Changes in fair values of cash flow hedges are taken through the Income Statement.

#### (b) Loans, receivables and payables

Loans, receivables and payables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or creditor with no intention of trading the receivable or payable. They are included in current assets or liabilities, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets or liabilities. Loans and receivables are included in trade and other receivables or trade and other payables in the Balance Sheet. Loans, receivables and payables are measured at invoice or historic cost less any impairment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads allocated on a systematic basis (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow moving and defective inventory on a line by line basis, or by grouping similar or related items, by reference to accumulated experience.

### Trade receivables

Trade receivables are recognised initially at invoice value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The provision is recognised in the Income Statement as an operating charge.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

### Share capital

Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or in respect of interim dividends when approved by Directors.

**Trade payables**

Trade payables are recognised at their initial fair value.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Interest charges are recognised in the Income Statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

**Deferred taxation**

The charge for taxation, comprising both UK and non-UK taxation, is based on the taxable profits for the year and also takes into account deferred taxation. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Employee benefits****(a) Pension obligations**

Group companies operate various pension schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated biannually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' equity.

Past-service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## Group Accounting Policies

### (b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is calculated using the Binomial model and is recognised as an expense over the vesting period.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### (c) Holiday pay

The Group recognises an asset or liability relating to holiday pay obligations at the Balance Sheet date. Movements in the period are taken to the Income Statement.

### (d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a pre-determined formula for key performance indicators. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where the effect is material, provisions are discounted in line with IAS 37 using a pre-tax nominal discount rate. The discount rate does not reflect risks for which the estimated future outflows have already been adjusted.

## Financial risk management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest-rate risk, credit risk, and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group finance department (in close co-operation with the operating units) under policies approved by the Board of Directors.

#### – Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Canadian Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. As the Group has certain investments in foreign operations, these net assets are exposed to foreign currency translation risk.

To manage its foreign exchange risk the Group uses foreign currency bank balances, and makes some use of foreign currency forward contracts to avoid short-term fluctuations in currencies. In addition, purchases of large items of capital in foreign currency are covered by forward contracts at the point of authorisation.

At the year end the Group had forward contracts to sell Canadian Dollars into US Dollars and to sell Euros into Sterling. These contracts are valued based on year end exchange rate. An analysis of the sensitivity of the year end position relative to these forward contracts is provided below.

At 31 March 2009, if the Canadian Dollar had closed 10% weaker/stronger against the US Dollar (with all other variables held constant), pre-tax profit would have been reduced/increased by £0.2m owing to the effects of forward contracts in place at the year end.

At 31 March 2009, if Sterling had closed 10% weaker/stronger against the Euro (with all other variables held constant), pre-tax profit would have been reduced/increased by £0.3m owing to the effects of forward contracts in place at the year end.

#### – Interest-rate risk

The Group has no significant exposure to interest-rate risk on borrowings following the repayment of long-term borrowings during the financial year ended 31 March 2009. Deposit risk is managed by spreading deposits across high credit rated institutions, and capping the maximum deposit with an institution at one time.

– Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are spread across a number of financial institutions. In certain markets the Group obtains third party credit insurance. This insurance currently covers 18% of total revenues. In addition, certain transactions are undertaken on the basis of Letters of Credit.

– Liquidity risk

The Group maintains a mixture of committed long-term and short-term facilities designed to ensure that the Group has sufficient cash funds available for operations and planned investment.

– Capital risk

The Group manages capital to continue as a going concern and provide returns for shareholders and benefits for other stakeholders.

Since the sale of Megolon in 2007, the Group has had significant cash balances and limited debt borrowing. It is the Group's intention to introduce small amounts of debt in the forthcoming year, but predominantly maintain a very low debt to equity ratio.

### **Critical accounting estimates and judgements**

The Group's accounting policies have been set by management and approved by the Audit Committee. The application of these accounting policies to specific scenarios requires estimates and assumptions to be made concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Under IFRS estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

Critical judgements have been made in the following areas when preparing the Group's accounts:

1. Impairment of goodwill and property, plant and equipment – see note 11. The Group tests annually whether goodwill has suffered any impairment, and tests tangible assets where indication of impairment exists. The recoverable amounts of cash generating units are then determined on a value-in-use basis; determining this value requires the use of estimates. The main estimates are around the forecasted cash flows, which are based on approved budgets, growth rates which are based on a prudent 3% and terminal values, for which the Group does not assign any value. The assumptions used are considered the best available and reasonable.
2. Calculation of provisions/contingent liabilities – the calculation of provisions requires estimation of the future costs likely to be incurred by each item – see note 20. The Asbestos provision is a significant provision where uncertainty over future cost could create a material difference to the amount stated in the accounts. However management believe the estimations used and the amounts in the accounts are the best and reasonable amounts to use, and that it would take a significant change in circumstance to materially affect the amount of provision being carried – see note 26.
3. Retirement benefit liabilities – the key assumptions used to calculate the pensions deficit and the sensitivity of those assumptions to change is contained within note 21. The assumptions used are considered the best available and reasonable.
4. Taxation – the Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provisions for income taxes and the recognition of deferred tax assets. The recognition of deferred tax in the current year is based on the increased profitability of a specific business unit in a specific tax jurisdiction and satisfies the relevant recognition criteria. The assumptions used are considered the best available and reasonable.

# Notes on the Accounts

## 1. Segmental reporting

### Primary Reporting Format – Geographical Segments

The Group operates in three main geographical areas: Europe, North America and Asia. All inter-segment transactions are made on an arms length basis.

The home country of the Company is the United Kingdom.

### Segment results

The segment results for the year ended 31 March 2009 are as follows:

	Europe £m	N America £m	Asia £m	Eliminations £m	Corporate £m	Group £m
External sales	100.2	64.3	9.5	–	–	174.0
Inter-segment sales	5.6	2.6	1.2	(9.4)	–	–
Total revenue	105.8	66.9	10.7	(9.4)	–	174.0
Segment result (before exceptional items)	(0.8)	1.5	0.9	–	(2.6)	(1.0)
Exceptional items and movements in exceptional provisions:						
– Business disposals	–	–	–	–	(0.7)	(0.7)
– Impairment of assets	(0.9)	–	–	–	–	(0.9)
– Reorganisation costs	(4.1)	(0.2)	–	–	–	(4.3)
Operating loss	(5.8)	1.3	0.9	–	(3.3)	(6.9)
Net finance costs						(2.4)
<b>Loss on ordinary activities before taxation</b>						<b>(9.3)</b>
Taxation on operating activities						1.6
Taxation on exceptional losses						1.8
Exceptional recognition of previously unrecognised deferred tax assets						16.8
Taxation credit						20.2
<b>Profit for the year</b>						<b>10.9</b>

Sales are allocated above based on the country in which the order is received. All revenue relates to the sale of goods. The sales analysis based on the location of the customer is as follows:

	Europe £m	N America £m	Other £m	Corporate £m	Group £m
External sales	90.2	60.5	23.3	–	174.0

Other segment items included within the Income Statement based on location of assets are as follows:

	Europe £m	N America £m	Asia £m	Corporate £m	Group £m
Depreciation	(3.1)	(1.6)	(0.1)	–	(4.8)

**1. Segmental reporting** continued

The segment results for the year ended 31 March 2008 were as follows:

	<b>Europe £m</b>	<b>N America £m</b>	<b>Asia £m</b>	<b>Eliminations £m</b>	<b>Corporate £m</b>	<b>Group £m</b>
External sales	99.0	63.4	7.7	–	–	170.1
Inter-segment sales	4.1	2.3	1.3	(7.7)	–	–
Total revenue	103.1	65.7	9.0	(7.7)	–	170.1
Segment result (before exceptional items)	5.0	6.5	0.7	–	(2.7)	9.5
Exceptional items and movements in exceptional provisions:						
– Business disposals	–	–	–	–	(0.3)	(0.3)
Exceptional items	–	–	–	–	(0.3)	(0.3)
Operating profit	5.0	6.5	0.7	–	(3.0)	9.2
Net finance costs						(1.8)
<b>Profit on ordinary activities before taxation</b>						<b>7.4</b>
Taxation charge						(2.9)
<b>Profit for the year</b>						<b>4.5</b>

Sales are allocated above based on the country in which the order is received. All revenue relates to the sale of goods. The sales analysis based on the location of the customer is as follows:

	<b>Europe £m</b>	<b>N America £m</b>	<b>Other £m</b>	<b>Corporate £m</b>	<b>Group £m</b>
External sales	89.0	59.7	21.4	–	170.1

Other segment items included within the Income Statement based on location of assets are as follows:

	<b>Europe £m</b>	<b>N America £m</b>	<b>Asia £m</b>	<b>Corporate £m</b>	<b>Group £m</b>
Depreciation	(3.1)	(1.2)	–	–	(4.3)
Deferred consideration	–	–	–	(0.3)	(0.3)

## Notes on the Accounts

### 2. Segment assets and liabilities

The segment assets and liabilities at 31 March 2009 and capital expenditure for the year then ended are as follows:

	Europe £m	N America £m	Asia £m	Corporate £m	Group £m
Segment assets	63.7	41.4	5.8	22.1	133.0
Segment liabilities	(52.1)	(9.0)	(1.0)	(35.0)	(97.1)
Capital expenditure	(3.7)	(5.1)	(0.3)	(0.2)	(9.3)

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Corporate £m	Group £m
Segment assets	70.5	30.7	3.6	23.6	128.4
Segment liabilities	(50.3)	(7.2)	(1.1)	(29.4)	(88.0)
Capital expenditure	(2.6)	(1.1)	–	–	(3.7)

The Group has only one business segment, being the manufacture and supply of technical tapes and films, and as such there is no additional secondary segment information to report under IAS 14.

The unallocated assets and liabilities relate solely to taxation. The tax assets and liabilities are £31.6m (2008: £6.5m) and £5.2m (2008: £5.7m) respectively.

### 3. Operating (loss)/profit

The operating (loss)/profit for the year comprises:

	2009 Pre Exceptional £m	2009 Exceptional £m	2009 Total £m	2008 Pre Exceptional £m	2008 Exceptional £m	2008 Total £m
Revenue	174.0	–	174.0	170.1	–	170.1
Change in stocks of finished goods and WIP	(3.4)	–	(3.4)	0.7	–	0.7
Raw materials and consumables	(78.3)	–	(78.3)	(75.9)	–	(75.9)
Other external charges	(20.1)	–	(20.1)	(18.2)	–	(18.2)
Directors and employees costs	(48.8)	(4.3)	(53.1)	(46.9)	–	(46.9)
Depreciation of tangible fixed assets						
– owned assets	(4.6)	–	(4.6)	(4.1)	–	(4.1)
– leased assets	(0.2)	–	(0.2)	(0.2)	–	(0.2)
Impairment of property, plant and equipment	–	(0.9)	(0.9)	–	–	–
Operating lease rentals						
– land and buildings	(2.0)	–	(2.0)	(1.6)	–	(1.6)
– plant, machinery and other	(1.1)	–	(1.1)	(0.9)	–	(0.9)
Auditors remuneration	(0.3)	–	(0.3)	(0.2)	–	(0.2)
Other fees paid to auditors	(0.2)	–	(0.2)	(0.2)	–	(0.2)
Loss on business disposals	–	(0.7)	(0.7)	–	(0.3)	(0.3)
Repairs and maintenance costs	(2.3)	–	(2.3)	(2.2)	–	(2.2)
Research and development costs	(4.0)	–	(4.0)	(3.1)	–	(3.1)
Amortisation of government grants received	0.2	–	0.2	0.1	–	0.1
Move in fair value of financial instruments	(0.3)	–	(0.3)	(0.2)	–	(0.2)
Other operating charges	(9.6)	–	(9.6)	(7.7)	–	(7.7)
<b>Total operating (loss)/profit</b>	<b>(1.0)</b>	<b>(5.9)</b>	<b>(6.9)</b>	9.5	(0.3)	9.2

Fees payable to the Company's auditor for other services:

Parent company audit fee £79,000 (2008: £84,000), audit of company subsidiaries £176,000 (2008: £141,000), tax services £141,000 (2008: £172,000), other services £16,000 (2008: £76,000).

The auditors are also the auditors of the UK pension schemes. They were paid a fee of £17,000 (2008: £15,000) for this audit.

#### 4. Exceptional items

In the year ended 31 March 2009 exceptional costs totalled £5.9m, split between Europe (£5.0m), North America (£0.2m) and Corporate (£0.7m).

Of this total, £3.7m relates to the closure of the Bellegarde site in France. The exceptional cost includes the impairment of assets at the site of £0.9m and redundancy and associated costs provisions for employees of £2.8m.

In addition to the Bellegarde closure, the Group underwent a restructuring and cost reduction programme during the second half of the year. Reorganisation costs of £1.5m arose in connection with this cost reduction exercise.

The remaining exceptional cost in the year relates to the Megolon disposal in 2007. Under the Sale and Purchase Agreement the acquirer can require Scapa to make good any shortfall to an agreed value on the sale of certain property within 42 months of acquisition. The acquirer has indicated their intention to exercise this right and, based on third party valuations, a potential shortfall of £0.7m has been provided.

Tax on exceptional items and the exceptional recognition of previously unrecognised deferred tax assets are covered in note 8.

#### 5. Employee benefit expense

	2009 £m	2008 £m
Wages and salaries	39.2	38.2
Social security costs	6.8	6.4
Share options granted to directors and employees	0.3	0.2
Pension costs – defined contribution plans (note 21)	2.0	2.0
Pension costs – defined benefit plans (note 21)	0.3	0.1
Pension costs – settlement of pension liability (note 21)	0.2	–
	48.8	46.9
Reorganisation and termination costs (note 4)	4.3	–
	53.1	46.9
Average employee numbers	2009	2008
Europe	773	817
North America	459	494
Asia	92	84
	1,324	1,395

#### 6. Related parties' key management compensation

	2009 £m	2008 £m
Salaries and other short-term employee benefits	0.7	1.0
	0.7	1.0

Key management are defined as the Directors of the Group – see Directors' Remuneration Report.

#### 7. Net finance costs

	2009 £m	2008 £m
Interest payable on bank loans and overdrafts	0.1	0.1
Expected return on pension scheme assets less interest on scheme liabilities	2.3	2.0
Discount on provisions	0.4	0.4
	2.8	2.5
Interest receivable and similar income	(0.4)	(0.7)
Net finance costs	2.4	1.8

## Notes on the Accounts

### 8. Taxation

Income tax credit/(charge)	2009 £m	2008 £m
Current tax:		
Tax on ordinary activities – current year	(0.5)	(0.7)
Tax on ordinary activities – prior year	1.4	(0.5)
Tax on exceptional items	0.6	–
	<b>1.5</b>	(1.2)
Deferred tax:		
Tax on ordinary activities – current year	0.8	(1.6)
Tax on ordinary activities – prior year	(0.1)	(0.1)
Tax on exceptional items	1.2	–
Exceptional recognition of previously unrecognised deferred tax assets	16.8	–
	<b>18.7</b>	(1.7)
Tax credit/(charge) for the year	<b>20.2</b>	(2.9)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK corporation tax rate as follows:

	2009 £m	2008 £m
(Loss)/profit on ordinary activities before tax	(9.3)	7.4
Taxation credit/(charge) at 28% (2008: 30%)	2.6	(2.2)
Tax losses utilised but not previously recognised	0.1	0.2
Tax losses not recognised in the year	(0.3)	(0.5)
Recognition of previously unrecognised deferred tax assets	16.8	–
Income not taxable and other deductions	0.2	1.9
Items not deductible for tax purposes and other taxable items	(0.9)	(1.5)
Effect of local tax rates being higher than expected tax rate	0.4	(0.8)
Adjustments in respect of prior years (excluding exceptional items)	1.3	–
Tax credit/(charge) for the year	<b>20.2</b>	(2.9)

### Deferred income tax

The deferred tax balances included in these accounts are attributable to the following:

	2009 £m	2008 £m
Deferred tax assets:		
– loss	5.9	–
– accelerated tax depreciation	0.1	–
– litigation and other provisions	8.4	4.9
– tax effect of intangibles	0.8	0.9
– retirement benefit liabilities	14.0	1.2
	<b>29.2</b>	7.0
Deferred tax liabilities:		
– accelerated tax depreciation	–	(2.2)
– other short term timing differences	(0.4)	–
– provision for potential tax liability	(2.5)	(1.5)
	<b>(2.9)</b>	(3.7)

**8. Taxation** continued

As required by IAS 12, deferred tax assets and liabilities may only be offset where they arise in the same jurisdictions and are therefore presented on the Balance Sheet as follows:

	<b>2009</b>	2008
	<b>£m</b>	£m
Deferred tax assets as above:	<b>29.2</b>	7.0
– accelerated tax depreciation liabilities/assets in different countries	<b>1.0</b>	(0.5)
– other timing difference assets moved to offset against liabilities	<b>-</b>	(0.7)
<b>Deferred tax asset on the Balance Sheet</b>	<b>30.2</b>	5.8
Deferred tax liabilities as above:	<b>(2.9)</b>	(3.7)
– other timing difference assets offset against same country liabilities	<b>-</b>	0.7
– other timing difference liabilities offset against same country assets	<b>-</b>	-
– accelerated tax depreciation liabilities/assets in different countries	<b>(1.0)</b>	0.5
<b>Deferred tax liability on the Balance Sheet</b>	<b>(3.9)</b>	(2.5)

Tax losses amounting to £2.7m have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction. At year end, £16.8m of previously unrecognised assets have been recognised, consisting of tax losses of £2.3m, accelerated tax depreciation of £3.1m, other timing differences of £0.3m and retirement benefit liabilities of £11.1m. It is expected that these assets will now be utilised based on current forecasts for the future performance in these jurisdictions. This improved confidence is the result of tax planning and improved operating results in the UK.

In the year ended 31 March 2008 assets of £18.5m were not recognised. These comprised of unrecognised tax losses of £4.1m, accelerated tax depreciation of £3.3m and retirement benefit liabilities of £11.1m.

No taxes have been provided for liabilities which may arise on the distribution of unremitted earnings of subsidiaries on the basis of control, except where distributions of such profits are planned. Cumulative unremitted earnings of overseas subsidiaries totalled approximately £46.1m at 31 March 2009. It is not practicable to calculate the tax which would arise on remittance of these amounts; it would be substantially lower than statutory rates after giving effect to foreign tax credits and UK tax losses.

	<b>2009</b>	2008
	<b>£m</b>	£m
Movement in deferred tax		
Beginning of the year	<b>3.3</b>	5.3
Income Statement credit/(charge)	<b>1.9</b>	(1.7)
Recognition of deferred tax assets	<b>16.8</b>	-
Exchange differences on translating foreign operations	<b>1.9</b>	(0.2)
Pension movements to SORIE	<b>2.4</b>	(0.1)
<b>End of year</b>	<b>26.3</b>	3.3
	<b>2009</b>	2008
	<b>£m</b>	£m
Movement in unrecognised deferred tax		
Beginning of the year	<b>18.5</b>	23.6
Prior year adjustments	<b>0.2</b>	0.3
Change in tax rates	<b>-</b>	(1.1)
Recognition of deferred tax assets	<b>(16.8)</b>	-
Current year movement	<b>0.3</b>	(0.3)
Exchange differences on translating foreign operations	<b>0.5</b>	0.5
Pension movements	<b>-</b>	(4.5)
<b>End of year</b>	<b>2.7</b>	18.5

The Group also has significant unrecognised tax losses in overseas territories which are yet to be agreed in the local jurisdiction.

## Notes on the Accounts

### 9. Earnings per share

#### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit attributable to equity holders of the Company (£m)	10.9	4.5
Weighted average number of ordinary shares in issue (m)	144.8	144.8
Basic and diluted earnings per share (p)	7.5	3.1

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share has been calculated on share options in existence at 31 March 2009. The calculated basic and diluted earnings per share are the same.

<b>Headline (before exceptional items)</b>	2009	2008
Profit attributable to equity holders of the Company (£m)	10.9	4.5
Adjusted for:		
Exceptional items (£m)	5.9	0.3
Exceptional element of tax charge (£m)	(18.6)	–
Adjusted (loss)/profit attributable to equity holders of the Company (£m)	(1.8)	4.8
Weighted average number of ordinary shares in issue (m)	144.8	144.8
Headline and diluted headline loss per share (p)	(1.2)	3.3

### 10. Dividend per share

No dividend is proposed for the year ended 31 March 2009 (prior year £1.1m).

### 11. Impairment of assets

#### Year ended 31 March 2009

As disclosed in note 4 on page 43 fixed assets with a value of £0.9m were impaired in the year. These assets were all part of the Bellegarde site and no future use is foreseen.

The carrying value of the Group's goodwill and other tangible fixed assets have been reassessed at 31 March 2009 for any evidence that the carrying values may have been impaired. This review of all assets was carried out because of the general deterioration in the economic environment in which the Group operates.

The recoverable amount has been determined on a value-in-use basis on each cash generating unit. The management approved 12-month forecasts for each cash generating unit have been used in a 10-year model. The base 12-month projection is grown at 3% up to year 5 and then kept constant for years 6–10. These cash flows are then discounted by the Group weighted average cost of capital rate of 9.5% and adjusted for specific risk factors that take into account the sensitivities of the projection (these risk ratings vary from unit to unit from 10–30% reflecting specific sensitivities). There are no terminal values assumed in the calculations.

The review indicates that the current carrying values are fully supported by the associated future discounted cash flows and hence no additional impairments are required.

#### Year ended 31 March 2008

No impairments to assets were made in the year ended 31 March 2008.

**12. Goodwill**

	<b>2009</b>	2008
	<b>£m</b>	£m
<b>Cost</b>		
1 April	<b>36.2</b>	36.6
Exchange differences	<b>10.6</b>	(0.4)
31 March	<b>46.8</b>	36.2
<b>Accumulated amortisation and impairment</b>		
1 April	<b>(26.5)</b>	(26.8)
Exchange differences	<b>(6.8)</b>	0.3
31 March	<b>(33.3)</b>	(26.5)
<b>Net book value at 31 March</b>	<b>13.5</b>	9.7

The only goodwill balance at 31 March 2009 and 2008 relates to the Acutek Medical operation, part of the North America business segment, see note 11.

## Notes on the Accounts

### 13. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
<b>Cost</b>							
1 April 2007	15.2	7.8	61.6	4.1	15.3	1.2	105.2
Exchange differences	2.3	–	5.6	0.5	0.2	0.1	8.7
Additions	0.3	–	1.1	–	0.1	2.2	3.7
Disposals	–	–	(0.9)	–	(0.2)	–	(1.1)
Transfers	–	–	1.7	0.1	0.1	(1.9)	–
31 March and 1 April 2008	17.8	7.8	69.1	4.7	15.5	1.6	116.5
Exchange differences	2.2	0.1	13.2	0.5	0.5	0.3	16.8
Additions	0.1	–	2.2	0.3	1.9	4.8	9.3
Disposals	–	–	(0.3)	–	(0.3)	–	(0.6)
Transfers	–	–	1.9	–	–	(1.9)	–
31 March 2009	20.1	7.9	86.1	5.5	17.6	4.8	142.0
<b>Accumulated depreciation</b>							
1 April 2007	(6.3)	(3.4)	(46.1)	(3.0)	(12.9)	–	(71.7)
Exchange differences	(0.7)	–	(4.7)	(0.4)	(0.2)	–	(6.0)
Depreciation	(0.4)	(0.2)	(2.5)	(0.2)	(1.0)	–	(4.3)
Disposals	–	–	0.9	–	0.2	–	1.1
31 March and 1 April 2008	(7.4)	(3.6)	(52.4)	(3.6)	(13.9)	–	(80.9)
Exchange differences	(0.6)	–	(9.6)	(0.4)	(0.5)	–	(11.1)
Depreciation	(0.5)	(0.2)	(2.8)	(0.2)	(1.1)	–	(4.8)
Impairment	–	–	(0.9)	–	–	–	(0.9)
Disposals	–	–	0.2	–	0.3	–	0.5
31 March 2009	(8.5)	(3.8)	(65.5)	(4.2)	(15.2)	–	(97.2)
<b>Carrying amount</b>							
<b>31 March 2009</b>	<b>11.6</b>	<b>4.1</b>	<b>20.6</b>	<b>1.3</b>	<b>2.4</b>	<b>4.8</b>	<b>44.8</b>
31 March 2008	10.4	4.2	16.7	1.1	1.6	1.6	35.6

The Group has not revalued any item of property, plant and equipment.

Assets held under finance leases, capitalised and included in property, plant and equipment are as follows:

	2009 £m	2008 £m
Cost	0.6	0.5
Accumulated depreciation	(0.2)	(0.2)
Net book amount	0.4	0.3

### 14. Other non-current asset investments

Under the terms of the agreement for the sale of the Papermaking Products and Services business dated 1 July 1999, Scapa Dryer Fabrics Inc., which is party to the asbestos litigation described in note 26, made certain undertakings to the purchaser, J M Voith AG, regarding the disposition of US\$40.0m of the sale proceeds. This required that this sum be retained as cash on deposit from the date of the agreement, effectively as security against the cost of any successful asbestos claims made against the purchaser as successor to the business.

There is a balance of US\$10.0m remaining in the account and this remains a restricted asset until December 2011. The interest on the restricted deposit is however freely available to the Group. At 31 March 2009 the value of this fund translated into Sterling was £7.0m (2008: £5.0m).

**15. Inventory**

	<b>2009</b>	2008
	<b>£m</b>	£m
Raw materials	<b>8.2</b>	7.7
Work in progress	<b>4.2</b>	4.9
Finished goods	<b>10.6</b>	9.6
	<b>23.0</b>	22.2

The cost of inventories recognised as an expense and included in the Income Statement amounted to £81.7m (2008: £75.2m).

**16. Trade and other receivables**

	<b>2009</b>	2008
	<b>£m</b>	£m
Trade receivables	<b>35.2</b>	37.1
Less: provisions for impairment	<b>(0.8)</b>	(0.5)
Trade receivables – net	<b>34.4</b>	36.6
Other debtors	<b>1.5</b>	3.2
Prepayments and accrued income	<b>1.3</b>	0.6
	<b>37.2</b>	40.4

All the above trade and other receivables are stated at fair value.

The carrying amounts of these receivables are denominated in the following currencies:

	<b>2009</b>	2008
	<b>£m</b>	£m
Pounds Sterling	<b>4.3</b>	5.6
US Dollar	<b>11.1</b>	9.2
Euro	<b>17.4</b>	22.4
Other	<b>4.4</b>	3.2
	<b>37.2</b>	40.4

Management review individual receivables and provide for overdue amounts specifically.

Total trade receivables are stated net of the following impairment provision:

	<b>2009</b>	2008
	<b>£m</b>	£m
Opening provision at 1 April	<b>0.5</b>	0.5
Charge for the year	<b>0.4</b>	0.2
Receivables written off in the year	<b>(0.1)</b>	(0.3)
Currency movements	<b>-</b>	0.1
Closing provision at 31 March	<b>0.8</b>	0.5

The Group takes territorial credit risk insurance to cover receivables balances in certain markets. At 31 March 2009 the amount of debt fully covered by credit risk insurance was £7.2m.

At the year end, the following trade receivables balances were overdue. All of the below are stated net of any impairment provisions and relate to a number of customers for whom there is no recent history of default.

	<b>2009</b>	2008
	<b>£m</b>	£m
Less than one month	<b>2.4</b>	1.2
Between 1-3 months	<b>1.0</b>	0.5
Greater than 3 months	<b>0.9</b>	0.3
	<b>4.3</b>	2.0

Overdue analysis includes impact of foreign exchange movements.

## Notes on the Accounts

### 16. Trade and other receivables continued

Historically customer default is low. The 'credit quality' of the year end receivables balance is considered high. As such all the above amounts are considered recoverable.

Credit risk from customers is managed on a local basis, and monitored from Group. Individual credit limits are set based on Group policy, which is delegated down from the Board. Utilisation of credit limits is regularly monitored and customer accounts put on 'stop' as necessary.

The credit risk position for our major customers is detailed below. This shows a fairly predictable level of credit utilisation across the regions and years, and highlights that there is no concentration of credit risk with respect to trade receivables.

#### North America

The top five customers by balance at 31 March 2009 had a total receivable of £3.3m, versus their cumulative credit limit of £7.6m. Total sales to these customers in the year ended 31 March 2009 were £14.3m. The same customers at 31 March 2008 had a total receivable of £2.6m, versus their cumulative credit limit of £6.9m.

#### Europe

The top five customers by balance at 31 March 2009 had a total receivable of £1.5m, versus their cumulative credit limit of £3.4m. Total sales to these customers in the year ended 31 March 2009 were £5.8m. The same customers at 31 March 2008 had a total receivable of £4.8m, versus their cumulative credit limit of £6.5m.

The total Asian debt is not material and so credit risk is not analysed separately.

### 17. Cash and cash equivalents

Cash and bank overdrafts include the following for the purposes of the Cash Flow Statement:

	<b>2009</b> <b>£m</b>	2008 £m
Cash and cash equivalents	<b>7.5</b>	15.5
Bank overdrafts – note 19	<b>(0.3)</b>	(0.2)
	<b>7.2</b>	15.3

### 18. Trade and other payables

	<b>2009</b> <b>£m</b>	2008 £m
<b>Amounts due within one year:</b>		
Trade payables	<b>22.1</b>	21.5
Other taxes and social security	<b>3.5</b>	3.0
Other creditors	<b>4.0</b>	7.8
	<b>29.6</b>	32.3
<b>Amounts due after more than one year:</b>		
Other creditors	<b>1.9</b>	2.3
	<b>1.9</b>	2.3

The carrying amounts of these payables are denominated in the following currencies:

	<b>2009</b> <b>£m</b>	2008 £m
Pounds Sterling	<b>7.4</b>	8.9
US Dollar	<b>6.2</b>	5.6
Euro	<b>15.2</b>	17.4
Other	<b>2.7</b>	2.7
	<b>31.5</b>	34.6

**19. Borrowings**

	<b>2009</b>	2008
	<b>£m</b>	£m
<b>Amounts due within one year:</b>		
Bank overdrafts	<b>0.3</b>	0.2
Finance lease creditor	<b>0.1</b>	0.1
	<b>0.4</b>	0.3
<b>Amounts due after more than one year:</b>		
Finance lease creditor	<b>0.3</b>	0.4
<b>Total borrowings</b>	<b>0.7</b>	0.7

In March 2007 a three year US\$15.0m committed facility was executed between Bank of America NA and Scapa North America Inc. This facility is unsecured and there were no drawings under it as at 31 March 2009. Post year end the Group renegotiated certain terms and drew down \$3.0m from the facility.

In addition bank overdrafts include a borrowing facility, which Scapa Tapes Korea executed with Woori Bank in May 2006 and which is secured by a charge over land and buildings in Korea.

The Group also has in place a cross guarantee between the parent company and its UK subsidiaries in respect of UK overdraft facilities and other financial obligations, which amounted at 31 March 2009 to £2.0m.

All borrowings are stated at fair value.

The maturity of non-current financial liabilities is as follows:

	<b>1-2 years</b>	<b>2-5 years</b>	<b>over 5 years</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>31 March 2009</b>				
Finance lease creditor	–	0.4	–	0.4
<b>31 March 2008</b>				
Finance lease creditor	–	0.4	–	0.4

The Group has one finance lease with a financial liability of £0.4m over the next three years, followed by peppercorn payments until maturity in 2015.

## Notes on the Accounts

### 19. Borrowings continued

The effective interest rates at the Balance Sheet date were as follows:

	Sterling	Euros	US and Canadian Dollars	Other currencies
<b>31 March 2009</b>				
Bank overdrafts	–	–	–	4.75%
<b>31 March 2008</b>				
Bank overdrafts	–	2.10%–2.11%	–	3.5%
Other loans	–	6.75%	–	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<b>2009</b> £m	2008 £m
Sterling	–	–
Euros	<b>0.4</b>	0.4
Other currencies	<b>0.3</b>	0.3
	<b>0.7</b>	0.7

Movements in forward currency contracts used to hedge against the exposure to exchange differences due to the timing of cash flows are taken through the Income Statement as it is not Group policy to hedge account for these instruments. At 31 March 2009 financial liabilities of £0.1m have been recognised in the Balance Sheet relating to the fair values of derivative financial instruments in place (2008: £0.3m).

The Group has the following undrawn borrowing facilities (this includes committed and uncommitted):

	<b>2009</b> £m	2008 £m
Floating rate		
– expiring within one year	<b>19.3</b>	9.5
– expiring after more than one year	–	7.5
	<b>19.3</b>	17.0

## 20. Provisions

	Asbestos litigation costs £m	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 1 April 2008	6.4	2.0	0.9	9.3
Exchange differences	2.4	0.7	0.2	3.3
Additions in the year	–	5.0	–	5.0
Unwinding of discount	0.4	–	–	0.4
Utilised in the year	(0.7)	(1.6)	(0.2)	(2.5)
At 31 March 2009	8.5	6.1	0.9	15.5
Analysis of provisions:				
Current	1.1	4.5	–	5.6
Non-current	7.4	1.6	0.9	9.9
	8.5	6.1	0.9	15.5

### Asbestos litigation costs

Following the Group's divestiture of the Papermaking Products and Services business in the year ended 31 March 2000, provision was made for ongoing liabilities, which related to these businesses, but which were retained by Scapa. These relate primarily to the defence of personal injury claims as outlined in note 26. In conjunction with US Legal Counsel, the Board has reviewed and approved the assumptions underlying the provision for future litigation costs. This provision is being discounted in accordance with IAS 37 using an appropriate risk adjusted discount rate (4.4%). Whilst the Board believes that the assumptions made are reasonable, and the provision remains its best estimate of the total cost likely to be incurred, there remains, as is usual in these circumstances, substantial uncertainty.

As described in note 26 Scapa is vigorously defending all of the outstanding claims against it. No Scapa Group company, or insurance carrier, has admitted liability to date or made any payment to any plaintiff under the policies, either as the result of any judgement or by way of settlement. Accordingly the Board believes that it is unlikely that significant uninsured liabilities will arise from this litigation. Consequently no provision has been made for payments to plaintiffs.

### Reorganisation and leasehold commitments

The £6.1m (2008: £2.0m) reorganisation provision relates to onerous lease commitments of £0.9m (2008: £0.8m), dilapidations for leasehold property of £0.8m (2008: £0.9m), and £4.4m (2008: £nil) in relation to reorganisation costs associated with the current year exceptional charge, which includes the Megolon disposal item.

Whilst the timing of the economic benefits relating to the non-current provisions cannot be ascertained with any degree of certainty, the UK leasehold commitments are expected to take place within 12 years, the overseas leasehold commitments are expected within 4 years and the reorganisation commitments within the next 1–2 years.

### Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in both Europe (£0.5m) and North America (£0.4m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next three years.

## Notes on the Accounts

### 21. Retirement benefit liabilities

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

#### Defined contribution schemes

The Group operates a number of defined contribution schemes. Employer's contributions are charged to the Income Statement as incurred. The total pension cost for the Group in respect of these schemes for the year ended 31 March 2009 was £2.0m (2008: £2.0m).

#### Defined benefit schemes

The total amounts recognised in the Group financial statements for defined benefit schemes are summarised on page 56.

##### a) UK schemes

Prior to their closure to new members and future accrual, the UK defined benefit schemes were funded by contributions from members as defined in the scheme rules and by the employing company at a rate assessed by the scheme actuaries as sufficient to meet the balance of costs determined following the triennial fund reviews. All three UK defined benefit schemes are now closed to new members and to future accrual. The schemes are now therefore wholly funded by the employing company. The assets of the schemes are held separately from Company assets under Trust. The release to operating profit in the prior year for UK schemes was £0.5m; this related to curtailments associated with the closure of the schemes.

The funding position of the three principal UK schemes, the Scapa Group Retirement Benefits Scheme, the Scapa Group Senior Retirement Benefits Scheme and Scapa Tapes UK Ltd. Pension Plan, was reassessed in April 2006 by independent qualified actuaries using the projected unit method of valuation (the '2006 Triennial Review').

Following the 2006 Triennial Review the Company agreed new additional cash contributions designed to repair the deficits as at 1 April 2006. The sums below include estimates of the annual costs of administration of the schemes. These contributions total £3.4m on an annualised basis, are subject to RPI indexation each year and are split as follows:

- £0.7m per annum from August 2007 to September 2023 for the Scapa Group Retirement Benefits Scheme;
- £2.0m per annum from August 2007 to September 2023 for the Scapa Group Senior Retirement Benefits Scheme;
- £0.7m per annum from August 2007 to March 2022 for the Scapa Tapes UK Ltd. Pension Plan.

In addition, the Tapes Plan will receive a final amount of £0.7m in the next financial year with respect to a debt arising on the disposal of the Irish subsidiary in the prior year. The Group also pays the PPF levies and any excess administrative costs associated with each of the funds above, the payment in the current year being £1.0m (2008: £0.3m); the increase from prior year is mainly owing to late 2008 PPF invoices being paid in the current year.

Total annual cash contributions into the defined benefit schemes were £5.3m (2008: £4.4m); including £1.0m PPF and excess administration costs (2008: £0.2m).

The IAS 19 Retirement Benefits valuations have been updated by the scheme actuaries, in order to assess the liabilities of the schemes at 31 March 2009. Scheme assets are stated at their market value at 31 March 2009. The scheme funding position and Company contributions are currently under review as part of the April 2009 Triennial Review. Results from the review should be known by the time of the 2009/10 interim results announcement.

##### b) Overseas schemes

The Group operates a number of pension schemes in different countries, both of a defined benefit and defined contribution nature. In addition, in certain countries, the Group must provide for various employee termination benefits. These are accounted for as if they were defined benefit pension schemes. The total defined benefit pension charge to operating profit for the Group in respect of overseas pension schemes for the year ended 31 March 2009 was £0.7m (2008: £0.6m).

Defined benefit schemes are set up under separate trust funds and liabilities are generally assessed annually in accordance with the advice of independent actuaries. Details of the Group's material overseas defined benefit schemes are as follows:

##### North America

The Group operates a funded defined benefit scheme and two unfunded pension plans in North America. The valuations used for the IAS 19 Retirement Benefits disclosure have been based on the most recent actuarial valuations at 31 March 2009. Scheme assets are stated at their market value at 31 March 2009.

During the year the Canadian pension liability was bought out by purchasing annuity policies for the remaining pensioners. The buy-out was made at around the IAS 19 liability value with the associated costs and fees being charged to the profit and loss at a £0.2m net cost to the Group (see note 5).

**21. Retirement benefit liabilities** continued**Korea**

The Group operates an unfunded termination indemnity, with payments made to employees on retirement or termination of service. The Korean scheme has been included for the first time this year (previously being immaterial to Group results) and was historically included in other creditors.

**France and Italy**

The Group operates an unfunded retirement benefit scheme in France, with payments made to employees on retirement, and an unfunded termination indemnity plan in Italy, with payments made to employees on retirement or termination of service. The Italian scheme is closed to future accrual following changes in local legislation; liabilities are £1.0m.

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19. Given the size of the schemes, the age profile and sensitivities are only provided for the UK.

	UK		North America		Korea		France & Italy	
	2009	2008	2009	2008	2009	2008	2009	2008
Discount rate	6.4%	6.2%	7.25%	6.0%–6.75%	5.75%	5.75%	5.3%–5.9%	5.4%–5.8%
Salary increase per annum	–	–	2.0%–4.0%	4.0%	3.0%	3.0%	2.0%	2.0%
Price inflation per annum	2.8%	3.5%	3.0%	3.0%	3.0%	3.0%	2.3%	2.3%
Increase to pensions in payment	2.5%–3.3%	2.6%–3.7%	–	–	–	–	–	–
Increases to deferred pensions	2.8%	3.5%	–	–	–	–	–	–

The salary increase assumption is no longer relevant in the UK as all UK schemes are now closed to future accrual.

All schemes include an allowance for administration expenses and PPF levy in the value of accrued benefits.

The IAS 19 calculations have been performed using the mortality assumptions contained in the medium cohort year of birth PA92 tables, with the addition of one year to age. The approximate average ages used for the UK schemes are detailed in the table below:

Note that the ages are not provided for the overseas schemes because the materiality of the schemes is not significant.

	UK 2009
Age to which current non-pensioners are expected to live (assumed current age of 51):	
– Men	86.0
– Women	88.9
Age to which current pensioners are expected to live (assumed current age of 69):	
– Men	86.6
– Women	89.4

**Actuarial assumption sensitivities**

The calculation of the scheme's deficit is sensitive to changes in the underlying assumptions. The following tables show the approximate effect on the scheme's liabilities, and hence the deficit at the year end, of changes in the key assumptions on the UK scheme.

Note that sensitivities are not provided for the overseas schemes because the materiality of the results is not significant.

	UK 2009 £m
<b>Rate of inflation</b>	
Change in the year end liabilities from a 0.1% increase in the assumed rate of inflation	(1.0)
Change in the year end liabilities from a 0.1% decrease in the assumed rate of inflation	1.0
<b>Discount rate</b>	
Change in the year end liabilities from a 0.1% increase in the assumed rate of discount	1.6
Change in the year end liabilities from a 0.1% decrease in the assumed rate of discount	(1.6)

## Notes on the Accounts

### 21. Retirement benefit liabilities continued

The amounts recognised in the Balance Sheet are determined as follows:

<b>UK Schemes</b>	<b>2009 Expected rate of return</b>	<b>2009 Value £m</b>	2008 Expected rate of return	2008 Value £m
Equities	<b>7.85%</b>	<b>29.7</b>	7.85%	33.2
Gilts/Bonds	<b>3.6%–6.4%</b>	<b>53.7</b>	4.4%–6.2%	58.8
Other	<b>4.0%</b>	<b>1.5</b>	5.0%	2.3
Total market value of assets		<b>84.9</b>		94.3
Present value of scheme liabilities		<b>(127.7)</b>		(134.0)
Net deficit in the schemes		<b>(42.8)</b>		(39.7)
<b>French and Italian Schemes</b>	<b>2009 Expected rate of return</b>	<b>2009 Value £m</b>	2008 Expected rate of return	2008 Value £m
Total market value of assets	-	-	-	-
Present value of scheme liabilities		<b>(3.0)</b>		(2.5)
Net deficit in the schemes		<b>(3.0)</b>		(2.5)
<b>Korean Scheme</b>	<b>2009 Expected rate of return</b>	<b>2009 Value £m</b>	2008 Expected rate of return	2008 Value £m
Total market value of assets	-	-	-	-
Present value of scheme liabilities		<b>(0.1)</b>		(0.1)
Net deficit in the schemes		<b>(0.1)</b>		(0.1)
<b>North American Schemes</b>	<b>2009 Expected rate of return</b>	<b>2009 Value £m</b>	2008 Expected rate of return	2008 Value £m
Equities	<b>9.2%</b>	<b>1.8</b>	9.0%	3.1
Bonds	<b>4.5%</b>	<b>3.1</b>	5.3%	2.5
Other	<b>2.9%</b>	<b>0.1</b>	4.4%	0.2
Total market value of assets		<b>5.0</b>		5.8
Present value of scheme liabilities		<b>(8.5)</b>		(6.8)
Net deficit in the schemes		<b>(3.5)</b>		(1.0)
Unrecognised past service cost		<b>0.1</b>		0.1
Net liability recognised in the Balance Sheet		<b>(3.4)</b>		(0.9)

The amounts recognised in the Income Statement are as follows:

	<b>Europe</b>		<b>Others</b>		<b>Total</b>	
	<b>2009 £m</b>	2008 £m	<b>2009 £m</b>	2008 £m	<b>2009 £m</b>	2008 £m
Current service cost (included within staff costs)	<b>0.2</b>	0.4	<b>(0.5)</b>	(0.5)	<b>(0.3)</b>	(0.1)
Settlement (included within staff costs)	-	-	<b>(0.2)</b>	-	<b>(0.2)</b>	-
Expected return on scheme assets	<b>6.0</b>	5.7	<b>0.5</b>	0.4	<b>6.5</b>	6.1
Interest on scheme liabilities	<b>(8.3)</b>	(7.7)	<b>(0.5)</b>	(0.4)	<b>(8.8)</b>	(8.1)
Total included within finance costs	<b>(2.3)</b>	(2.0)	-	-	<b>(2.3)</b>	(2.0)
Total expenses charged through Income Statement	<b>(2.1)</b>	(1.6)	<b>(0.7)</b>	(0.5)	<b>(2.8)</b>	(2.1)

**21. Retirement benefit liabilities** continued

The amounts recognised in the Statement of Recognised Income and Expense are as follows:

	Europe		Others		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Actual return less expected return on scheme assets	(14.3)	(1.5)	(2.9)	(0.4)	(17.2)	(1.9)
Experience gains/(losses) arising on scheme liabilities	8.2	10.7	-	(0.3)	8.2	10.4
Changes in assumptions underlying the present value of the scheme liabilities	(0.5)	3.4	1.0	0.8	0.5	4.2
Total amounts recognised in the Statement of Recognised Income and Expense	(6.6)	12.6	(1.9)	0.1	(8.5)	12.7

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	Europe		Others		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Beginning of the year	94.3	92.0	5.8	5.4	100.1	97.4
Buyout of pension liability	-	-	(0.7)	-	(0.7)	-
Exchange differences	-	-	1.7	-	1.7	-
Expected return on scheme assets	6.0	5.7	0.5	0.4	6.5	6.1
Actual return less expected return on scheme assets	(14.3)	(1.5)	(2.9)	(0.4)	(17.2)	(1.9)
Contributions paid	5.5	4.3	0.6	0.6	6.1	4.9
Benefits paid	(6.6)	(6.2)	-	(0.2)	(6.6)	(6.4)
End of the year	84.9	94.3	5.0	5.8	89.9	100.1

Analysis of movement in scheme liabilities

	Europe		Others		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Beginning of the year	(136.5)	(149.1)	(6.8)	(6.6)	(143.3)	(155.7)
Buyout of pension liability	-	-	0.7	-	0.7	-
Recognition of additional pension liability	-	-	(0.1)	-	(0.1)	-
Exchange differences	(0.4)	(0.4)	(2.4)	-	(2.8)	(0.4)
Current service cost (included within staff costs)	0.2	0.4	(0.5)	(0.5)	(0.3)	(0.1)
Interest on scheme liabilities	(8.3)	(7.7)	(0.5)	(0.4)	(8.8)	(8.1)
Experience gains/(losses) arising on scheme liabilities	8.2	10.7	-	(0.3)	8.2	10.4
Changes in assumptions underlying the present value of the scheme liabilities	(0.5)	3.4	1.0	0.8	0.5	4.2
Benefits paid	6.6	6.2	-	0.2	6.6	6.4
End of the year	(130.7)	(136.5)	(8.6)	(6.8)	(139.3)	(143.3)

Analysis of movement in Balance Sheet liability:

	Europe		Others		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Beginning of the year	(42.2)	(57.1)	(1.0)	(1.2)	(43.2)	(58.3)
Exchange differences	(0.4)	(0.4)	(0.7)	-	(1.1)	(0.4)
Total expenses charged through the Income Statement	(2.1)	(1.6)	(0.7)	(0.5)	(2.8)	(2.1)
Recognition of additional pension liability	-	-	(0.1)	-	(0.1)	-
Total amounts recognised in the Statement of Recognised Income and Expense	(6.6)	12.6	(1.9)	0.1	(8.5)	12.7
Contributions paid (including settlement payment)	5.5	4.3	0.8	0.6	6.3	4.9
Net deficit in the schemes	(45.8)	(42.2)	(3.6)	(1.0)	(49.4)	(43.2)
Unrecognised past service cost	-	-	0.1	0.1	0.1	0.1
Net liability recognised in the Balance Sheet	(45.8)	(42.2)	(3.5)	(0.9)	(49.3)	(43.1)

Cumulative actuarial losses on pension schemes recognised in reserves total £19.3m (2008: £10.8m).

## Notes on the Accounts

### 21. Retirement benefit liabilities continued

#### Europe

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	(130.7)	(136.5)	(149.1)	(151.7)	(119.0)
Fair value of plan assets	84.9	94.3	92.0	89.8	74.8
Deficit in the plan	(45.8)	(42.2)	(57.1)	(61.9)	(44.2)
Experience adjustments on plan liabilities	8.1	10.6	(0.8)	(1.6)	(3.1)
Experience adjustments on plan assets	(14.3)	(1.5)	(2.2)	10.7	2.0

#### Others

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	(8.6)	(6.8)	(6.6)	(6.8)	3.4
Fair value of plan assets	5.0	5.8	5.4	5.3	(4.8)
Unrecognised past service cost	0.1	0.1	–	–	–
Deficit in the plan	(3.5)	(0.9)	(1.2)	(1.5)	(1.4)
Experience adjustments on plan liabilities	0.1	(0.2)	0.1	(0.8)	0.2
Experience adjustments on plan assets	(2.9)	(0.4)	–	0.7	(0.2)

#### Total

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	(139.3)	(143.3)	(155.7)	(158.5)	(115.6)
Fair value of plan assets	89.9	100.1	97.4	95.1	70.0
Unrecognised past service cost	0.1	0.1	–	–	–
Deficit in the plan	(49.3)	(43.1)	(58.3)	(63.4)	(45.6)
Experience adjustments on plan liabilities	8.2	10.4	(0.7)	(2.4)	(2.9)
Experience adjustments on plan assets	(17.2)	(1.9)	(2.2)	11.4	1.8

The above disclosures for the year ended 31 March 2005 are stated under UK GAAP on an FRS 17 basis. All other years are stated under IFRS on an IAS 19 basis.

**22. Share capital**

	2009 £m	2008 £m
<b>Authorised</b>		
190,688,306 shares of 5p each	<b>9.5</b>	9.5
<b>Allotted, issued and fully paid</b>		
144,762,868 shares of 5p each	<b>7.2</b>	7.2

**Potential issues of ordinary shares**

Certain senior managers hold options to subscribe for shares in the Company at prices ranging from nil pence per share to 236 pence per share under the share options schemes approved by shareholders. The number of shares subject to options, the periods in which they were granted, and the periods in which they may be exercised are given below:

Scheme	Year of grant	Average exercise price per share	Exercise period	Numbers	
				2009	2008
Executive share option plan	1997–2002	49p–236p	up to 20 June 2012	<b>641,000</b>	736,000
Executive share option plan	2006	22.25p	up to 31 August 2016	<b>900,000</b>	900,000
Executive share option plan	2007	29.25p	up to 20 August 2017	<b>1,425,000</b>	1,425,000
Executive share option plan	2007	32.75p	up to 10 December 2017	<b>300,000</b>	300,000
Executive share option plan	2008	27.75p	up to 7 July 2018	<b>250,000</b>	–
US stock option plan	1997–2002	49p–195.5p	up to 20 June 2012	<b>825,500</b>	869,500
Performance share plan	2006	nil pence per share	up to 31 August 2016	<b>1,050,000</b>	1,050,000
Performance share plan	2007	nil pence per share	up to 20 August 2017	<b>1,125,000</b>	1,225,000
Performance share plan	2007	nil pence per share	up to 10 December 2017	<b>50,000</b>	50,000
Performance share plan	2008	nil pence per share	up to 7 July 2018	<b>175,000</b>	–
Sharesave option plan 3 year	2008	24.6p	up to 1 September 2011	<b>420,658</b>	853,033
Sharesave option plan 5 year	2008	24.6p	up to 1 September 2013	<b>334,627</b>	932,860
Sharesave option plan 3 year	2009	13.0p	up to 1 September 2012	<b>1,422,101</b>	–
Sharesave option plan 5 year	2009	13.0p	up to 1 September 2013	<b>770,118</b>	–
				<b>9,689,004</b>	8,341,393

No options were exercised in the period. All movements from 2008 are expired/lapsed options and new grants.

Details of the share option assumptions and criteria are contained within the Directors' Remuneration Report.

## Notes on the Accounts

### 23. Reserves

	Share capital £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2007	7.2	(1.7)	13.9	19.4
Currency translation differences	–	4.5	–	4.5
Actuarial gain on pension schemes	–	–	12.7	12.7
Deferred tax on actuarial gains and losses	–	–	(0.1)	(0.1)
Net income recognised directly in equity	–	4.5	12.6	17.1
Profit for the year	–	–	4.5	4.5
Total recognised income for the year	–	4.5	17.1	21.6
Employee share option scheme – value of employee services	–	–	0.2	0.2
Balance at 31 March 2008	7.2	2.8	31.2	41.2
	Share capital £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2008	7.2	2.8	31.2	41.2
Currency translation differences	–	17.1	–	17.1
Actuarial loss on pension schemes	–	–	(8.5)	(8.5)
Deferred tax on actuarial gains and losses	–	–	2.4	2.4
Net income recognised directly in equity	–	17.1	(6.1)	11.0
Profit for the year	–	–	10.9	10.9
Total recognised income for the year	–	17.1	4.8	21.9
Dividend paid relating to 2007/08			(1.1)	(1.1)
Employee share option scheme – value of employee services	–	–	0.3	0.3
<b>Balance at 31 March 2009</b>	<b>7.2</b>	<b>19.9</b>	<b>35.2</b>	<b>62.3</b>

**24. Reconciliation of operating profit to operating cash flow, and reconciliation of net debt**

All on continuing operations	<b>Year ended 31 March 2009 £m</b>	Year ended 31 March 2008 £m
Operating (loss)/profit	<b>(6.9)</b>	9.2
Adjustments for:		
Depreciation	<b>4.8</b>	4.3
Loss on disposal of fixed assets	<b>0.1</b>	–
Loss on disposal of businesses	<b>–</b>	0.3
Impairment of tangible fixed assets	<b>0.9</b>	–
Pensions payments in excess of charge	<b>(5.8)</b>	(4.3)
Pension curtailment	<b>–</b>	(0.6)
Movement in fair value of financial instruments	<b>(0.3)</b>	0.2
Share options charge	<b>0.3</b>	0.2
Grant income released	<b>(0.1)</b>	(0.1)
Changes in working capital:		
– Inventories	<b>3.9</b>	(2.2)
– Trade debtors	<b>8.9</b>	1.6
– Trade creditors	<b>(2.8)</b>	(0.8)
Changes in trading working capital	<b>10.0</b>	(1.4)
Other debtors	<b>1.5</b>	0.6
Other creditors	<b>(5.6)</b>	1.7
Deferred consideration	<b>–</b>	(0.4)
Net movement in environmental provisions	<b>(0.2)</b>	(0.3)
Net movement in reorganisation provisions	<b>3.4</b>	(0.3)
Net movement in asbestos litigation provision	<b>(0.7)</b>	(0.6)
Cash generated from operations	<b>1.4</b>	8.5
Cash generated from operations before exceptional items	<b>3.9</b>	9.5
Cash outflows from exceptional items	<b>(2.5)</b>	(1.0)
Cash generated from operations	<b>1.4</b>	8.5

**Analysis of cash and cash equivalents and borrowings**

	At 1 April 2008 £m	Cash flow £m	Exchange movement £m	<b>At 31 March 2009 £m</b>
Cash and cash equivalents	15.5	(9.8)	1.8	<b>7.5</b>
Overdrafts	(0.2)	(0.1)	–	<b>(0.3)</b>
	15.3	(9.9)	1.8	<b>7.2</b>
Borrowings within one year	(0.1)	0.1	–	<b>–</b>
Borrowings after more than one year	(0.4)	0.1	(0.1)	<b>(0.4)</b>
	(0.5)	0.2	(0.1)	<b>(0.4)</b>
Total	14.8	(9.7)	1.7	<b>6.8</b>

## Notes on the Accounts

### 24. Reconciliation of operating profit to operating cash flow, and reconciliation of net debt continued

#### Reconciliation of net cash flow to movement in net debt

	2009 £m	2008 £m
<b>(Decrease)/increase in cash and cash equivalents</b>		
(Decrease)/increase in net cash and cash equivalents in the year	<b>(9.9)</b>	3.2
Cash outflow from decrease in loan finance	<b>0.2</b>	0.3
<b>Change in net debt resulting from cash flows</b>	<b>(9.7)</b>	3.5
Translation differences	<b>1.7</b>	0.1
<b>Movement in net debt</b>	<b>(8.0)</b>	3.6
<b>Net cash after borrowings at 1 April</b>	<b>14.8</b>	11.2
<b>Net cash after borrowings at 31 March</b>	<b>6.8</b>	14.8

### 25. Commitments

#### Capital commitments

The Group had £0.5m contracted for at 31 March 2009 but not provided for in the accounts (2008: £0.7m).

At 31 March 2009 a total of £1.2m (2008: £0.2m) was authorised but not yet contracted.

All amounts relate to subsidiary undertakings.

#### Operating lease commitments

At 31 March 2009 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years.

	Property £m	2009 Vehicles, plant and equipment £m	Property £m	2008 Vehicles, plant and equipment £m
Commitments under leases:				
Within one year	<b>2.1</b>	<b>0.9</b>	1.7	0.1
More than one year and less than five years	<b>5.4</b>	<b>1.1</b>	5.6	2.8
After five years	<b>5.6</b>	<b>0.1</b>	6.4	–
Total operating lease commitments	<b>13.1</b>	<b>2.1</b>	13.7	2.9

## 26. Contingent liabilities

In the United States various Group companies, together with numerous and diverse non Scapa Group parties, are named as defendants in claims in which damages are being sought for personal injury arising from alleged exposure to asbestos. As at 31 March 2009 14,234 (31 March 2008 18,360, 31 March 2007 19,313, 31 March 2006 32,607, 31 March 2005 33,878) plaintiffs remained who have brought claims in 27 states (Georgia, Florida, Louisiana, Mississippi, North Carolina, South Carolina, Ohio, California, New Jersey, Michigan, Rhode Island, New York, Pennsylvania, Alabama, Arkansas, Illinois, Maryland, Washington, Delaware, Oklahoma, Virginia, Connecticut, Missouri, Texas, Massachusetts, Minnesota and Oregon). Scapa was dismissed from a large number of claims during 2008/09.

The claims, so far as the Scapa Group defendants are concerned, primarily relate to the Waycross business carried on by Scapa Dryer Fabrics, Inc. as part of the Paper Machine Clothing business. The Waycross business consisted of the manufacture and supply of dryer fabrics to paper manufacturers. As was common with the industry between approximately 1958 and 1978, the Waycross business used yarn containing chrysotile asbestos in some of its dryer fabrics.

The plaintiffs, who are mostly former paper mill employees (or their dependants) allege that asbestos fibres were released when they cleaned the dryer fabrics by blowing compressed air across them. It is also alleged that exposure to asbestos fibres occurred during installation and removal of dryer fabrics, during the routine maintenance, and even as a result of normal wear and tear. To date there have been ten sets of jury trials in the United States – in Louisiana, Washington State, Oregon, Arkansas, Maryland, Pennsylvania, Minnesota and New Jersey.

In February 2005 an adverse judgement in the Bickham litigation totalling US\$162,500 (£93,931) in respect of seven plaintiffs was entered in Washington Parish, Louisiana. Upon advice of counsel, the Board believes there are multiple grounds for appeal which should provide sufficient basis for the appellate court to reverse the judgement. The disruptive effect which Hurricane Katrina had in the State of Louisiana has included the judicial system and it is not yet known when it will be possible for the appeal to proceed. Complicating the process is the inability of the parties and the clerk of court to agree upon the necessary inclusions for the record on appeal. The Company believes, upon the advice of counsel, that sufficient legal error occurred before and during the trial to make it more likely than not that the judgement will not be upheld on appeal. The Company has retained as insurance coverage counsel, Mr Andrew Hill of the Blasingame, Burch, Garrard, Bryant & Ashley firm of Athens, Georgia, who advises that he believes there is sufficient liability insurance to satisfy the judgement in full if it is not reversed.

In October 2003, a US\$3m (£1.73m) adverse judgement in the Saville litigation was entered in the Maryland State Court on the claims of a former paper mill employee. The Company successfully appealed the judgement and the case was remanded to the lower court for a retrial. The retrial took place in January 2008 and the jury returned an adverse verdict of US\$1.7m (£0.98m). Counsel for Scapa have advised that they believe significant and material error was committed by the Court, so an appeal has been lodged with the Court of Appeals of Maryland. Mr Andrew Hill, the Company's retained insurance coverage counsel, has advised that he believes there is sufficient liability insurance to satisfy the judgement in full if it is not reversed.

In April 2007 a trial took place before a jury in Middlesex County, New Jersey, of the claims of asbestos exposure brought by five former paper mill workers, two of whom are deceased. In June 2007, the jury returned a verdict in favour of Scapa in respect of two of the living plaintiffs and against Scapa in respect of the remaining three plaintiffs; US\$250,000 (£144,508) for one of the deceased plaintiffs, US\$73,050 (£42,225) for the other deceased plaintiff and US\$500,000 (£289,017) for the third living plaintiff. Counsel for Scapa have advised that they believe significant and material error was committed by the Court, so an appeal was lodged in the New Jersey Court of Appeals. The appeal was heard in December 2008 but it is not yet known when a verdict will be delivered. Mr Andrew Hill, the Company's retained insurance coverage counsel, has advised that he believes there is sufficient liability insurance to satisfy the judgement in full if it is not reversed.

In February 2009 a trial took place before a jury in St Paul, Minnesota, of the claim of a retired paper mill worker who had been diagnosed as suffering from mesothelioma – a fatal condition caused exclusively by exposure to asbestos. The jury returned a unanimous verdict in favour of Scapa and confirmed that the claimant's asbestos exposure had been caused not by Scapa or its products but by exposure to other materials in his former place of work.

Scapa Dryer Fabrics, Inc. and the other Scapa Group companies named as defendants are vigorously defending all of the outstanding claims against them. In the USA, no Scapa Group company or its insurance carrier has admitted liability to date or made any payment to any plaintiff under our policies, either as the result of any judgement or by way of settlement. Based upon our advice from counsel, the Board believes that it is unlikely that significant uninsured liabilities will arise from this litigation.

## Five Year Summaries

### Five Year Financial Summary (unaudited)

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
<b>Group revenue</b>	<b>174.0</b>	170.1	184.3	191.5	188.2
<b>Group profits</b>					
(Loss)/profit before taxation and exceptional items	<b>(3.4)</b>	7.7	4.2	2.5	0.9
Exceptional items (operating charges)	<b>(5.9)</b>	(0.3)	8.7	(17.0)	(4.5)
(Loss)/profit before taxation	<b>(9.3)</b>	7.4	12.9	(14.5)	(3.6)
Taxation					
– Taxation on operating activities	<b>1.6</b>	(2.9)	(2.6)	(2.7)	(0.5)
– Taxation on exceptional items	<b>1.8</b>	–	3.0	1.9	6.3
– Exceptional recognition of previously unrecognised deferred tax assets	<b>16.8</b>	–	–	–	–
	<b>20.2</b>	(2.9)	0.4	(0.8)	5.8
Profit/(loss) after taxation	<b>10.9</b>	4.5	13.3	(15.3)	2.2
<b>Headline (loss)/earnings per share (p)</b>	<b>(1.2)</b>	3.3	1.1	(0.1)	(0.1)
<b>Net cash equivalents/(debt)</b>	<b>6.8</b>	14.8	11.2	(13.2)	(15.2)
<b>Shareholders' funds – equity</b>	<b>62.3</b>	41.2	19.4	8.2	40.2
<b>Net assets per share (p)</b>	<b>43.0</b>	28.5	13.4	5.7	27.8

### Exchange rates (unaudited)

	2009	2008	2007	2006	2005
<b>US\$</b>					
– Closing	<b>1.43</b>	1.99	1.96	1.74	1.89
– Average	<b>1.73</b>	2.00	1.89	1.78	1.85
<b>Canadian \$</b>					
– Closing	<b>1.80</b>	2.04	2.26	2.08	2.03
– Average	<b>1.92</b>	2.08	2.15	2.07	2.13
<b>Euro</b>					
– Closing	<b>1.08</b>	1.25	1.47	1.45	1.45
– Average	<b>1.21</b>	1.42	1.47	1.46	1.47

# Principal Subsidiary Companies

As at 31 March 2009 the principal subsidiaries of the Company were:

<b>Holding and Management Companies</b>	<b>Country of Incorporation</b>	
Porritts & Spencer Ltd*	England	Holding company
Lindsay and Williams Ltd*	England	Holding company
Scapa North America Inc	USA	Holding company
Scapa Holdings Inc	USA	Holding company
Scapa Holdings (Georgia) Inc	USA	Holding company
Scapa Holdings GmbH	Germany	Holding company
Scapa Group Holdings GmbH	Austria	Holding company
Groupe Scapa France SAS	France	Holding company
Scapa (HK) Holdings Ltd	Hong Kong	Holding company

## **Technical Tapes Companies**

Scapa Tapes North America Ltd	Canada
Scapa France SAS	France
Scapa Deutschland GmbH	Germany
Scapa Italia SpA	Italy
Scapa Tapes Benelux BV	Netherlands
Scapa Ibérica, S.A.	Spain
Scapa (Schweiz) AG	Switzerland
Scapa UK Ltd	England
Scapa Tapes North America (Windsor) Inc	USA
Scapa Tapes North America (Carlstadt) Inc	USA
Scapa Extruded Films Inc	USA
Scapa Tapes (Korea) Co. Ltd	Korea
Scapa Hong Kong Ltd	Hong Kong
Scapa Tapes Malaysia Sdn Bhd	Malaysia
Scapa (Shanghai) International Trading Company Ltd	China

All the shareholdings are ordinary shares.

**\* Denotes the undertakings which are held directly by Scapa Group plc. All the subsidiaries listed are wholly owned and are incorporated in and operate from the countries named.**

## **Scapa Group plc Parent Company Financial Statements**

The separate financial statements of Scapa Group plc are presented on pages 68 to 75, as required by the Companies Act 1985 ('the Act'). The Group has elected not to adopt International Financial Reporting Standards in the individual company accounts for the Parent Company and subsidiary undertakings, and accordingly these financial statements have been prepared under UK accounting standards and in accordance with the Act. They are therefore presented separately to the Group consolidated financial statements which have been prepared under International Financial Reporting Standards.

# Independent Auditors' Report to the Members of Scapa Group plc

We have audited the Parent Company financial statements of Scapa Group plc for the year ended 31 March 2009 which comprise the Company Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Scapa Group plc for the year ended 31 March 2009.

## Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Parent Company 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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 Parent Company financial statements give a true and fair view and whether the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Parent Company financial statements. The information given in the Report of the Directors includes that specific information presented in the Business Review that is cross referred from the Principal Activities and Business Review section of the Report of the Directors.

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 other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement, the Business Review, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

## 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the Parent Company 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 2009;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**Manchester**  
**28 May 2009**

# Company Balance Sheet

As at 31 March 2009

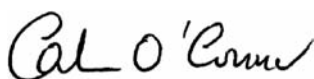
	note	31 March 2009 £m	31 March 2008 £m
<b>Fixed assets</b>			
Tangible fixed assets	3	0.7	1.0
Investments in subsidiary undertakings	4	145.3	144.7
		<b>146.0</b>	145.7
<b>Current assets</b>			
Debtors: amounts due within one year	5	6.9	7.2
Cash and cash equivalents		-	3.5
Debtors: amounts due after more than one year	5	53.7	31.0
Deferred tax asset	6	3.5	-
		<b>64.1</b>	41.7
<b>Creditors – amounts falling due within one year</b>			
Bank loans and overdrafts	7	(1.6)	-
Creditors	8	(5.3)	(17.4)
		<b>(6.9)</b>	(17.4)
<b>Net current assets</b>		<b>57.2</b>	24.3
<b>Total assets less current liabilities</b>		<b>203.2</b>	170.0
<b>Creditors – amounts falling due after more than one year</b>			
Creditors	8	(69.5)	(95.8)
		<b>(69.5)</b>	(95.8)
<b>Provisions for liabilities and charges</b>	9	<b>(0.7)</b>	(0.1)
<b>Net assets excluding pension liability</b>		<b>133.0</b>	74.1
<b>Net pension liability</b>	12	<b>(16.9)</b>	(21.7)
<b>Net assets</b>		<b>116.1</b>	52.4
<b>Shareholders' equity</b>			
Called-up share capital	10	7.2	7.2
Other reserves	11	10.1	10.1
Profit and loss account	11	98.8	35.1
<b>Shareholders' funds – equity</b>		<b>116.1</b>	52.4

The notes on pages 69 to 75 form part of these accounts.

These accounts were approved by the Directors on 28 May 2009.

**C J O'Connor**  
Chief Executive Officer

**B T Tenner**  
Finance Director




## Statement of Total Recognised Gains and Losses

For the year ended 31 March 2009

	note	Year ended 31 March 2009 £m	Year ended 31 March 2008 £m
Retained profit/(loss) for the period	1	69.9	(3.4)
Actuarial (loss)/gain on pension schemes	11	(4.6)	1.0
Deferred tax on actuarial losses		1.3	-
<b>Total recognised gain/(loss) for the period</b>		<b>66.6</b>	(2.4)

# Statement of Accounting Policies

## Basis of accounting

These financial statements have been prepared on a going concern basis under the historical cost convention, as modified by revaluation of certain financial instruments 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.

## Tangible fixed assets

Tangible fixed assets are stated at cost less cumulative depreciation and impairment. Depreciation is provided on the basis of writing off the cost of the relevant assets over their expected useful lives. The Company applies the straight line method. The effect is to reduce the cost of plant, machinery and fixtures to estimated residual value over a period of 5–20 years.

## Taxation

The charge for taxation is based on the taxable profits and losses for the year and 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.

## Provisions

Provisions are made in accordance with FRS 12 where an obligation exists for a future liability in respect of a past event and where the amount of obligation can be reliably estimated. Provision is made for vacant and sub-let leasehold properties to the extent that future rental payments are expected to exceed future rental income and for all other known liabilities which exist at the Balance Sheet date, based on management's best estimate as to the cost of settling these liabilities.

## Pension costs

Pension costs are accounted for under FRS 17 'Retirement Benefits'.

### (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 scheme's assets and the increase in the present value of the scheme's 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 deficit in schemes taking assets at their year-end market values and liabilities at their actuarially calculated value 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 pension schemes represent contributions payable in the year.

During the year there was a change in accounting policy in relation to FRS 17 and the valuation of assets moving from mid to bid price. The effect on the prior period has been calculated and is immaterial to the accounts.

## Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment in value. Where circumstances indicate that there may have been an impairment in the carrying value of a tangible or intangible fixed asset, an impairment review is carried out using cash flows from approved forecasts and projections discounted at the Group's weighted average cost of capital.

## Share-based payments

The fair value of employee share options plans is calculated using the binomial model in accordance with FRS 20 'Share-based payments'. The resulting cost is charged to the profit and loss account over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting. Where share options are granted to employees of subsidiary companies, the cost is debited to the carrying value of the subsidiary investments.

## 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 at the Balance Sheet date. Exchange differences on borrowings (including differences arising due to currency swaps) taken out to hedge overseas equity investments and on long-term loans which are considered equivalent to equity are taken to the translation reserve. All other differences are taken to the profit and loss account.

## Cash flow statement

The Company is a wholly-owned subsidiary of Scapa Group plc and is included in the consolidated financial statements of Scapa Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements' (revised 1996).

## Related parties

Related party disclosures are made in the Group accounts under note 6. The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of Scapa Group plc.

## Notes on the Accounts

### 1. Profit and loss account

The Company profit for the year, before charging dividends, is £69.9m (2008: loss £3.4m). As permitted by s.230(3) of the Companies Act 1985 a separate profit and loss account has not been presented.

### 2. Fees payable to the Company's auditor

For the year ended 31 March 2009

	2009 £m	2008 £m
Auditor's remuneration	0.1	0.1
Other fees paid to auditors	0.1	0.2
	<b>0.2</b>	0.3

### 3. Tangible fixed assets

	Plant, equipment fixtures and computer systems £m	Assets in the course of construction £m	Total £m
<b>Cost</b>			
At 1 April 2008	10.7	0.3	11.0
Additions	0.4	–	0.4
Transfers	0.3	(0.3)	–
At 31 March 2009	11.4	–	11.4
<b>Depreciation</b>			
At 1 April 2008	(10.0)	–	(10.0)
Depreciation	(0.7)	–	(0.7)
At 31 March 2009	(10.7)	–	(10.7)
<b>Net book value at 31 March 2009</b>	<b>0.7</b>	<b>–</b>	<b>0.7</b>
Net book value at 31 March 2008	0.7	0.3	1.0

**4. Investments**

	<b>Shares in Group undertakings £m</b>
<b>Cost</b>	
At 1 April 2008	176.6
Disposals	(1.7)
Other equity movements (see note 10)	0.2
At 31 March 2009	175.1
<b>Provision for impairment</b>	
At 1 April 2008	(31.9)
Reclassifications to provisions against amounts owed by subsidiary undertakings	2.1
At 31 March 2009	(29.8)
<b>Net book value at 31 March 2009</b>	
Net book value at 31 March 2008	<b>145.3</b>
	144.7

The carrying value of the Company's investments and other tangible fixed assets have been reassessed at 31 March 2009 for any evidence that the carrying values may have been impaired. This review of all assets was carried out because of the general deterioration in the economic environment in which the Group operates.

The recoverable amount has been determined on a value-in-use basis on each cash generating unit. The management approved 12-month forecasts for each cash generating unit have been used in a 10-year model. The base 12-month projection is grown at 3% up to year 5 and then kept constant for years 6-10. These cash flows are then discounted by the Group weighted average cost of capital rate of 9.5% and adjusted for specific risk factors that take into account the sensitivities of the projection (these risk ratings vary from unit to unit from 10-30% reflecting specific sensitivities). There are no terminal values assumed in the calculations.

The review indicates that the current carrying values are fully supported by the associated future discounted cash flows and hence no additional impairments are required.

The principal subsidiaries of the parent undertaking are shown on page 65.

The disposals above relate to two dormant, non-trading subsidiaries that were liquidated during the year.

A third subsidiary is in the process of being liquidated, with no net impact on the Company's Balance Sheet.

**5. Debtors**

	<b>2009 £m</b>	2008 £m
<b>Amounts due within one year:</b>		
Amounts owed by subsidiary undertakings	<b>5.5</b>	5.5
Taxation	<b>1.2</b>	1.0
Other debtors	<b>0.1</b>	0.6
Prepayments and accrued income	<b>0.1</b>	0.1
Total amounts due within one year	<b>6.9</b>	7.2
<b>Amounts due after more than one year:</b>		
Amounts owed by subsidiary undertakings	<b>53.7</b>	31.0
Total amounts due after more than one year	<b>53.7</b>	31.0
Total debtors	<b>60.6</b>	38.2

## Notes on the Accounts

### 6. Deferred tax

	2009 £m	2008 £m
The deferred tax assets at 31 March 2009 are as follows:		
– Accelerated capital allowances	2.1	–
– Losses and short-term timing differences	1.4	–
– Pension liabilities	6.5	–
	<b>10.0</b>	–
The movement in the deferred tax asset in the year is as follows:		
– Exceptional recognition of assets	8.8	–
– Credit to the Profit and Loss account	(0.1)	–
– Pension movement to SORIE	1.3	–
	<b>10.0</b>	–

The previously unrecognised deferred tax assets of the Company have been recognised in the period on the basis that they are now expected to be utilised in future years.

The amount recognised consists of accelerated capital allowances of £1.9m, losses and short-term timing differences of £0.9m and pension liabilities of £6.0m.

### 7. Financial instruments

The Company currently has no significant debt exposure to interest rate movements.

	2009 £m	2008 £m
<b>Amounts due within one year</b>		
Bank overdrafts	1.6	–
Total borrowings	1.6	–

The Group has in place cross guarantees between the parent and its subsidiaries in respect of financial obligations, which at 31 March 2009 amounted to £2.0m (2008: £1.0m).

The effective interest rate at the Balance Sheet date was as follows:

	Sterling
<b>31 March 2009</b>	
Bank overdrafts	1.75%
<b>31 March 2008</b>	
Bank overdrafts	–

The Company's overdraft is entirely in Sterling.

The Company has the following undrawn borrowing facilities, being the unused portion of the £2.0m overdraft facility. A cross guarantee between the parent and its UK subsidiary exists for the total amount of this facility.

	2009 £m	2008 £m
<b>Floating rate</b>		
– Expiring within one year	0.4	2.0
	<b>0.4</b>	2.0

### Maturity of non-current financial assets

	1-2 years £m	More than 5 years £m	Total £m
<b>31 March 2009</b>			
Debtors	–	53.7	53.7
<b>31 March 2008</b>			
Debtors	0.1	30.9	31.0

### Fair and book values of non-current financial assets

All non-current financial assets are stated at fair value.

**8. Creditors**

	<b>2009</b>	2008
	<b>£m</b>	£m
<b>Amounts due within one year:</b>		
Amounts owed to subsidiary undertakings	<b>3.7</b>	16.3
Other creditors	<b>1.6</b>	1.1
<b>Total amounts due within one year</b>	<b>5.3</b>	17.4
<b>Amounts due after more than one year:</b>		
Amounts owed to subsidiary undertakings	<b>69.5</b>	95.8
<b>Total amounts due after more than one year</b>	<b>69.5</b>	95.8

**9. Provisions**

	<b>Reorganisation provision</b>	<b>Other</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2008	0.1	–	0.1
Provided in the year	–	0.7	0.7
Utilised in the year	(0.1)	–	(0.1)
At 31 March 2009 (all current)	–	0.7	0.7

The other provision in the year related to the Megolon disposal in 2007. Under the Sale and Purchase Agreement the acquirer can require Scapa to make good any shortfall to an agreed value on the sale of certain property within 42 months of acquisition. The acquirer has indicated their intention to exercise this right and, based on third party valuations, a shortfall of £0.7m has been provided.

**10. Share capital**

	<b>2009</b>	2008
	<b>£m</b>	£m
<b>Authorised</b>		
190,688,306 shares of 5p each	<b>9.5</b>	9.5
<b>Allotted, issued and fully paid</b>		
144,762,868 shares of 5p each	<b>7.2</b>	7.2

**Share options**

Potential issues of ordinary shares and share options for the Company are disclosed in note 22 of the Group accounts.

**11. Reconciliation of shareholders' equity**

	<b>Share capital</b>	<b>Other reserves</b>	<b>Profit and Loss Account</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance at 1 April 2008	7.2	10.1	35.1	52.4
Profit for the period	–	–	69.9	69.9
Actuarial loss on pension schemes	–	–	(4.6)	(4.6)
Deferred tax on actuarial loss	–	–	1.3	1.3
Total recognised income for the year	–	–	66.6	66.6
Employee share option scheme				
– value of employee services	–	–	0.1	0.1
– value of subsidiary employee services	–	–	0.2	0.2
Dividends paid to shareholders	–	–	(1.1)	(1.1)
Exchange	–	–	(2.1)	(2.1)
<b>Balance at 31 March 2009</b>	<b>7.2</b>	<b>10.1</b>	<b>98.8</b>	<b>116.1</b>

Profit for the year includes dividends paid by Group companies of £56.3m.

## Notes on the Accounts

### 12. Pension schemes

The Company operates several defined benefit schemes and a defined contribution scheme for employees in the UK.

#### UK Pension schemes

##### (a) Defined contribution scheme

The Company operates a defined contribution scheme 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 this scheme for the year ended 31 March 2009 was £0.2m (2008: charge £0.2m).

##### (b) Defined benefit schemes

The UK defined benefit schemes are closed to new members and future accrual and are therefore 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 FRS 17 'Retirement Benefits' valuations have been updated by the scheme actuaries, in order to assess the liabilities of the schemes at 31 March 2009. Scheme assets are stated at their market value at 31 March 2009.

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

	2009	2008	2007
Discount rate	6.4%	6.2%	5.3%
Salary increases per annum	-	-	3.9%
Price inflation per annum	2.8%	3.5%	3.1%
Increases to pensions in payment	2.5%–3.3%	2.6%–3.7%	2.8%–3.5%
Increases to deferred pensions	2.8%	3.5%	3.0%

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 2009		At 31 March 2008		At 31 March 2007	
	Expected rate of return	Market value £m	Expected rate of return	Market value £m	Expected rate of return	Market value £m
Equities	7.85%	14.2	7.85%	14.6	7.9%	20.7
Bonds	3.6%–6.4%	30.2	6.20%	33.8	5.3%	27.8
Other	4.0%	0.6	4.4%–5.0%	1.2	3.8%–4.5%	-
Total market value of assets		45.0		49.6		48.5
Present value of scheme liabilities		(68.4)		(71.3)		(73.2)
Net deficit in the schemes		(23.4)		(21.7)		(24.7)
Deferred tax asset		6.5		-		-
Net pension deficit		(16.9)		(21.7)		(24.7)

A deferred tax asset of £6.5m (2008: £6.1m unrecognised) has now been recognised as there is an expectation that the asset will be utilised due to the improved performance of the Company.

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 2009 in respect of the Company's defined benefit schemes:

	2009 £m	2008 £m
<b>Profit and loss account</b>		
- current service cost	-	0.1
Total release to operating profit	-	0.1
Other finance costs		
- expected return on pension scheme	3.2	3.0
- interest on pension scheme liabilities	(4.1)	(3.8)
Net finance cost	(0.9)	(0.8)

**12. Pension schemes** continued

	<b>2009</b>	2008
	<b>£m</b>	£m
<b>Analysis of movements in scheme assets</b>		
Beginning of the year	<b>49.6</b>	48.5
Expected return on scheme assets	<b>3.2</b>	3.0
Actuarial losses	<b>(7.6)</b>	(1.3)
Contributions	<b>3.8</b>	2.7
Benefits paid	<b>(4.0)</b>	(3.3)
End of year	<b>45.0</b>	49.6
<b>Analysis of movements in scheme liabilities</b>		
Beginning of the year	<b>(71.3)</b>	(73.2)
Current service cost	<b>-</b>	0.1
Interest on scheme liabilities	<b>(4.1)</b>	(3.8)
Benefits paid	<b>4.0</b>	3.3
Actuarial gains	<b>3.0</b>	2.3
End of year	<b>(68.4)</b>	(71.3)

	<b>2009</b>	2008	2007	2006	2005
	<b>£m</b>	£m	£m	£m	£m
Present value of defined benefit obligation	<b>(68.4)</b>	(71.3)	(73.2)	(76.9)	(64.5)
Fair value of plan assets	<b>45.0</b>	49.6	48.5	47.9	41.7
Deficit in the plan	<b>(23.4)</b>	(21.7)	(24.7)	(29.0)	(22.8)
Experience adjustments on plan liabilities	<b>-</b>	(1.1)	1.1	1.0	(2.8)
Experience adjustments on plan assets	<b>(7.6)</b>	(1.3)	(2.2)	4.4	1.9

**13. Employee benefit expense**

	<b>2009</b>	2008
	<b>£m</b>	£m
Wages and salaries	<b>0.9</b>	1.2
Social security costs	<b>0.1</b>	0.2
Share options granted to directors and employees	<b>0.1</b>	0.1
Pension costs – defined contribution plans	<b>0.2</b>	0.1
Pension costs – defined benefit plans	<b>-</b>	(0.1)
	<b>1.3</b>	1.5

	<b>2009</b>	2008
	<b>10</b>	9
Average employee numbers		

**14. Dividend per share**

No dividend is proposed for the year ending 31 March 2009 (prior year £1.1 m).





**Scapa Group plc**

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