

Scapa (No. 2) Limited

**Directors' report and financial statements
for the year ended 31 March 2013**

Scapa (No. 2) Limited

Company Information

Directors	M Fowler P Edwards
Company secretary	R Smith (appointed 7th September 2012)
Registered number	4003589
Registered office	Manchester Road Ashton Under Lyne Manchester OL7 0ED
Independent auditors	Deloitte LLP Chartered Accountants and Registered Auditor 2 Hardman Street Manchester M3 3HF

Scapa (No. 2) Limited

Contents

	Page
Directors' report	1 - 3
Independent auditor's report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

Scapa (No. 2) Limited

Directors' report for the year ended 31 March 2013

The directors present their report and the financial statements for the year ended 31 March 2013.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities, review of the business and future prospects

The principal activity of the company is to act as a financing company within the Scapa Plc Group, a group that is engaged in the manufacture of adhesive foams and specialist tapes into the industrial, healthcare and electronics markets. During the current year the company has issued loan notes of \$117,952,000 on the Channel Islands Stock Exchange as part of the refinancing of the pension deficits within the Scapa Group Plc. This debt matures on the 31 March 2038. The directors are not aware at the date of this report of any likely changes in the next year.

Results and dividends

The profit for the year, after taxation, amounted to \$4,442,898 (2012 - \$3,870,299). As at 31 March 2013 the company has total shareholder's funds of \$98,872,224 (2012: \$94,429,326).

The directors are unable to recommend the payment of a dividend (2012: same).

Scapa (No. 2) Limited

Directors' report for the year ended 31 March 2013

Directors

The directors who served during the year were:

M Fowler
P Edwards (appointed 31 March 2012)

Principal risks and uncertainties

Scapa (No.2) Limited has net assets which are dependent upon the recoverability of intercompany debtors and therefore its principal risks and uncertainties are aligned with the Scapa Group. The principal risks and uncertainties of the Scapa Group are discussed in the business review in the group's annual report which does not form part of this report. The directors of Scapa Group plc manage the group's risks at a group level, rather than at an individual business unit level. The Company uses interest rate swaps to mitigate the uncertainty over changes in interest rates and their effect on facilities held by the company.

Disclosure of information to auditor

Each of the persons who are a director at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

KPIs

No KPIs had been used during the year as the management deemed metrics on non-trading companies not applicable.

Scapa (No. 2) Limited

Directors' report for the year ended 31 March 2013

Functional currency

The financial statements are presented in US dollars as, in the opinion of the directors, this is the currency of the primary economic environment in which the company operates and generates cash flows.

Going Concern

The directors have considered the economic environment in which the business operates and the factors affecting the current and future performance and prospects of the business as set out in their report. The covenant conditions on the facility are linked to the consolidated Group accounts. The directors have considered the ability of the Group to comply with these, and the economic uncertainties which may impact these forecasts. Based on the company's forecasts facilities available to it and having considered the opportunities and risks facing it the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in the preparation of the accounts.

This report was approved by the board on 4 June 2013 and signed on its behalf.



M Fowler
Director

Scapa (No. 2) Limited

Independent auditor's report to the shareholders of Scapa (No. 2) Limited

We have audited the financial statements of Scapa (No. 2) Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

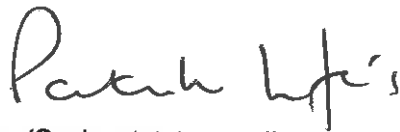
Scapa (No. 2) Limited

Independent auditor's report to the shareholders of Scapa (No. 2) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Patrick Loftus (Senior statutory auditor)

for and on behalf of
Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester

4 June 2013

Scapa (No. 2) Limited

**Profit and loss account
for the year ended 31 March 2013**

	Note	2013 \$	2012 \$
Operating (expenses)/income		<u>(14,494)</u>	<u>4,908</u>
OPERATING (LOSS)/PROFIT		(14,494)	4,908
Interest receivable and similar income	3	4,893,719	4,042,988
Interest payable and similar charges	4	(437,525)	(136,144)
Other finance costs	4	-	(17,600)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,441,700	3,894,152
Tax on profit on ordinary activities	5	1,198	(23,853)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		4,442,898	3,870,299

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.

Scapa (No. 2) Limited
Registered number: 4003589

Balance sheet
as at 31 March 2013

	Note	\$	2013 \$	\$	2012 \$
CURRENT ASSETS					
Debtors	6	227,134,416		109,156,512	
Cash at bank		5,000,312		-	
		<u>232,134,728</u>		<u>109,156,512</u>	
CREDITORS: amounts falling due within one year	7	<u>(41,614)</u>		<u>(29,586)</u>	
NET CURRENT ASSETS			232,093,114		109,126,926
TOTAL ASSETS LESS CURRENT LIABILITIES			232,093,114		109,126,926
CREDITORS: amounts falling due after more than one year	8		<u>(133,220,890)</u>		<u>(14,697,600)</u>
NET ASSETS			<u>98,872,224</u>		<u>94,429,326</u>
CAPITAL AND RESERVES					
Called up share capital	9		68,500,001		68,500,001
Share premium account	10		39,428,700		39,428,700
Profit and loss account	10		<u>(9,056,477)</u>		<u>(13,499,375)</u>
SHAREHOLDER'S FUNDS	11		<u>98,872,224</u>		<u>94,429,326</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 June 2013.



M Fowler
Director

The notes on pages 8 to 13 form part of these financial statements.

Scapa (No. 2) Limited

Notes to the financial statements for the year ended 31 March 2013

1 Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

1.2 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors Report on pages 1-3.

1.3 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.4 Functional currency

The financial statements are presented in US dollars as the directors consider that this is the currency of the primary economic environment in which the entity operates and in which cash flows are generated.

1.5 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 US dollars at the rate of exchange ruling at the balance sheet date.

1.6 Cash flow

As permitted by FRS1 'Cash Flow Statements', the company has not produced a cash flow statement as the company is a wholly owned subsidiary of Scapa Group plc, whose consolidated financial statements include a consolidated cash flow statement and are publicly available.

1.7 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

1.8 Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Scapa (No. 2) Limited

Notes to the financial statements for the year ended 31 March 2013

2. Operating (loss)/profit

The operating (loss)/profit is stated after crediting:

	2013	2012
	\$	\$
Exchange rate movements on group relief	<u>(64)</u>	<u>(4,908)</u>

During the current or preceding financial year there were no employees, other than the directors. The directors' remuneration and the audit fee for the audit of the financial statements were both borne by a fellow group company in the current and prior year. No amounts were recharged because a fair apportionment is not possible as services are provided to multiple entities.

3. Interest receivable

	2013	2012
	\$	\$
Interest receivable from group companies	<u>4,893,719</u>	<u>4,042,988</u>

4. Interest payable

	2013	2012
	\$	\$
On bank loans and overdrafts	<u>437,525</u>	<u>136,144</u>

5. Taxation

	2013	2012
	\$	\$
Analysis of tax (credit)/charge in the year		
UK corporation tax charge on profit for the year	15	1,005
Adjustments in respect of prior periods	<u>(1,213)</u>	<u>22,848</u>
Tax on profit on ordinary activities	<u>(1,198)</u>	<u>23,853</u>

Scapa (No. 2) Limited

Notes to the financial statements for the year ended 31 March 2013

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 24% (2012 - 26%). The differences are explained below:

	2013 \$	2012 \$
Profit on ordinary activities before tax	4,441,700	3,894,152
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 - 26%)	1,066,008	1,012,480
Effects of:		
Non-deductible/(non-taxable) interest from debt cap adjustment	(1,065,993)	(1,011,204)
Adjustments to tax charge in respect of prior periods	(1,213)	22,848
Foreign exchange movement	-	(271)
Current tax (credit)/charge for the year (see note above)	(1,198)	23,853

6. Debtors

	2013 \$	2012 \$
Due after more than one year		
Amounts owed by parent undertakings	118,681,376	58,352,512
Amounts owed by fellow subsidiary undertakings	108,453,040	50,804,000
	227,134,416	109,156,512

Amounts owed by the parent undertaking is a loan with a term running to 31 March 2016. The loan is unsecured and carries interest at a variable rate.

Amounts owed by the fellow subsidiary undertakings are loans with terms running to 31 March 2018 and carry interest at a variable rate.

7. Creditors:

Amounts falling due within one year

	2013 \$	2012 \$
Group relief payable to parent company	15	1,277
Accruals and deferred income	41,599	28,309
	41,614	29,586

Scapa (No. 2) Limited

Notes to the financial statements for the year ended 31 March 2013

8. Creditors:
Amounts falling due after more than one year

	2013 \$	2012 \$
Bank loans	15,268,890	14,697,600
Listed loan notes	117,952,000	-
	<u>133,220,890</u>	<u>14,697,600</u>

Included within the above are amounts falling due as follows:

	2013 \$	2012 \$
Between two and five years		
Bank loans	15,268,890	14,697,600
Over five years		
Listed loan notes	<u>117,952,000</u>	<u>-</u>

Bank Loan

During 2012 the company with other members of the Group entered into a £20,000,000 multi currency facility. The principal features of this facility are:

- The Group may borrow up to £20,000,000 subject to satisfaction of the requirements of the facility
- It is unsecured
- It is repayable in June 2016
- The margin on the loan is based on a sliding scale determined by the Group's leverage; it is currently 1.75% above US Libor
- The Group has in place a cross guarantee between the Parent Company and its main trading subsidiaries in respect of the facility obligations.

The effective interest rate at the balance sheet date was as follows:

31 March 2013	
Bank Loans	2.3%
31 March 2012	
Bank Loans	2.3%

During the year the company repaid \$4,500,000 and borrowed an additional \$5,000,000 against the facility.

The Company along with other subsidiaries in the Group, has the following undrawn borrowing facilities, being the unused portion of the £20,000,000 committed facility:

	2013 \$	2012 \$
Floating rate	15,131,110	15,702,400

Scapa (No. 2) Limited

Notes to the financial statements for the year ended 31 March 2013

8. Creditors: Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	2013	2012
	\$	\$
Listed loan notes	117,952,000	-
Listed Debt		

On 12 March 2013 the Company listed \$117,952,000 of loan notes on the Channel Islands Stock Exchange. These loan notes are repayable on 31 March 2038. Interest is payable at 4.832% per annum on these loan notes.

9. Share capital

	2013	2012
	\$	\$
Allotted, called up and fully paid		
68,500,000 Ordinary shares of \$1 each	68,500,000	68,500,000
1 Deferred share of £1	1	1
	<u>68,500,001</u>	<u>68,500,001</u>

10. Reserves

	Share premium account	Profit and loss account
	\$	\$
At 1 April 2012	39,428,700	(13,499,375)
Profit for the year	-	4,442,898
At 31 March 2013	<u>39,428,700</u>	<u>(9,056,477)</u>

11. Reconciliation of movement in shareholder's funds

	2013	2012
	\$	\$
Opening shareholder's funds	94,429,326	68,059,027
Profit for the year	4,442,898	3,870,299
Shares issued during the year	-	22,500,000
Closing shareholder's funds	<u>98,872,224</u>	<u>94,429,326</u>

Scapa (No. 2) Limited

Notes to the financial statements for the year ended 31 March 2013

12. Derivatives not included at fair value

	Principal		Fair Value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Interest rate swaps	30,000,000	30,000,000	232,560	59,491

13. Related party transactions

The company has taken advantage of the exemption granted by FRS 8 ("Related Party Disclosures") not to disclose related party transactions and balances with other wholly owned members of the group. There are no other related party transactions.

14. Ultimate parent undertaking and controlling party

The company's immediate parent company is Porritts and Spencer Limited, a company incorporated in England.

The ultimate parent undertaking and controlling party is Scapa Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the group financial statements of Scapa Group plc may be obtained from the Company Secretary, Scapa Group plc, Manchester Road, Ashton Under Lyne, Greater Manchester, OL7 0ED.