



29 May 2008

Scapa Group plc Preliminary Results

Scapa Group plc, a global supplier of technical adhesive tapes, today announced its Preliminary Results for the year ended 31 March 2008.

Highlights

- Trading Profit* of £9.5m – 56% up on an underlying basis
- Return on Sales of 5.6% - 51% up on an underlying basis
- Headline earnings per share 3.3p – 200% up
- Strong net cash flow - £3.5m generated in the year
- Dividend reinstated – 0.75p per share

Commenting on the results, Chief Executive Calvin O'Connor said:

"The results for the year clearly demonstrate the substantial improvement in Scapa's performance despite the tougher trading environment experienced in North America in the second half of the financial year.

"Whilst the current outlook is for challenging market conditions for the rest of 2008, we remain confident that the Group's business improvement programme will continue to drive Scapa forward and have accordingly reinstated a dividend."

For further information:

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* Figures shown here and elsewhere as 'underlying' adjust for the impact of disposals and currency movements. 'Trading profit' is operating profit before exceptional items.

Chairman's Statement

In 2007/08 Scapa has strengthened the turnaround in business performance that began in earnest two years ago. Trading profit has increased by 36% to £9.5m and is 56% up on an underlying basis. The legacy issues of pensions, asbestos and taxation are still receiving the attention they require and progress continues to be made.

The business disposals in 2006/07 transformed the financial position of the Group and created the confidence and foundation for change and growth.

Business improvement initiatives are being fostered in all aspects of our operations. Every site now has a rolling Business Improvement Plan aimed at the development of new products, growth from existing products, investing to improve operational efficiency and reductions in the underlying cost base. Every line of our Income Statement is subject to an expanding series of actions designed to enhance our performance still further.

Business performance

Turnover for the year was £170.1m, and reflected business disposals in the prior year and adverse currency movements (particularly the US Dollar) of £18.1m and £1.6m respectively. On an underlying basis, this represents an increase of £5.5m (3.3%). This growth was achieved despite the challenges of the economic slowdown in North America.

Trading profit of £9.5m was 36% higher than the previous year, despite the adverse impact of business disposals (£0.9m). On an underlying basis this represents growth of £3.4m or 56%.

Our European operations represent almost 60% of our business by revenue and have had low historic profitability. With trading profit increasing by £2.9m year-on-year, Europe is starting to make its contribution with much still to go at. On an underlying basis this is £3.7m higher than the prior year after allowing for the impact of disposals and foreign exchange and represents almost a fourfold increase.

Profit margins in our North American operations were squeezed by the general economic slowdown and trading profit fell by £1.1m on flat sales with £0.1m of this shortfall due to currency. North American performance is still the benchmark for the rest of the Group, however, with a Return on Sales in excess of 10%.

In Asia we have enjoyed all-round improvements in business performance with operating profits of £0.7m, a £0.5m increase on the prior year. This increase reflects the success of the new management team including the trading up of the sales portfolio to higher value added technical products.

As confidence in our recovery has built, we have increased our capital expenditure by 32% over the prior year. Our investments have been targeted on improving our underlying health and safety, production efficiency and reducing our fixed cost base. We are moving swiftly to catch up a number of years of enforced under-investment and next year intend to move expenditure well above depreciation.

I am encouraged by the efficiency drive and the investment in the technical resources and assets of the business. We are also increasing our efforts in developing more environmentally friendly products for our customers.

The business's cash performance during the year was one of the highlights of the last twelve months with a net cash generation of £3.5m after the payment of over £5m of legacy costs.

Pensions

During the year we reached agreement with the Trustees of the three UK Pension Schemes on a number of critical issues. Importantly for the members of the schemes, the Company will continue to make significant ongoing contributions to the schemes (currently £4.1m per annum). All three schemes have now closed to new members and to future accrual. This balanced outcome to the latest funding arrangements gives significant ongoing support to the schemes whilst leaving the Group scope to invest in the business. The total pension deficit of all Group retirement benefit plans now stands at £43.1m, a reduction of £15.2m from the prior year end.

Asbestos

We continue to adopt a robust stance with respect to this legacy issue. The number of cases has fallen by almost 1,000 during the year and we still have not settled or paid any damages in respect of any case.

Taxation

The Group has suffered from historically high effective tax rates (62% in 2007 and 108% in 2006). We have made good progress in this third area of 'legacy' issues and have an effective tax rate this year of 38%. This reflects both the improvement in UK operating profits and changes to improve our internal financing structure.

Dividends

The ongoing strengthening of our operating results, the rebuilding of the Balance Sheet and the improving overall financial health have created the right environment to reinstate a dividend. The Board has therefore recommended a dividend of 0.75 pence per share for the year, payable on 7 August 2008. We plan to grow the dividend distribution in line with future earnings.

Board changes

Our Board has been subject to significant change in the last year. Keith Hopkins retired as Chairman on 30 September 2007 and was replaced as Chairman by me at that time (having been appointed to the Board on 30 August 2007). Keith successfully stewarded the Group through a very difficult period in its history and we wish him a long and healthy retirement. Brian Tenner joined the Board as Group Finance Director on 14 June 2007. Mike Buzzacott joined as a Non-Executive Director and Chairman of the Remuneration Committee on 1 March 2008. In addition Steve Lennon, our Chief Operating Officer has been increasingly focused on our North American operations from the start of the current financial year.

Our staff

Throughout this year of continuing change our staff have shown themselves capable of meeting all of the challenges they are faced with. The recovery in the Group's fortunes is based firmly on their industry and skills. On behalf of the Board I would like to thank them for their efforts and look forward to continued success.

Outlook

At the start of 2008/09, some of our markets remain somewhat subdued due to the general economic slow-down, mitigated by continued strong growth in other key sectors. The bottom line continues to be protected by the efficiency initiatives of prior years and ongoing business improvement plans.

The Group has again significantly improved its underlying performance. In the coming year Scapa will benefit further from a number of key operational and infrastructure projects, potentially doubling our capital expenditure for a period of time. As these projects gain momentum, we will concentrate further on developments to grow the business and enhance shareholder value. In my first year as Chairman I am pleased to say that I have joined a Group with a strong sense of confidence and direction.

Business Review

Scapa's Business

Scapa is one of the leading technical adhesive tapes and film manufacturers in the world with 14 manufacturing locations in 9 countries and sales operations in 18 countries across the globe. Within Scapa there is a depth of technical competence and manufacturing expertise derived from tape manufacturing experience over many years. The business is managed and structured around its three principal regions: Europe, North America and Asia. The Group's small Corporate Centre is located at the Ashton manufacturing site in the UK.

Strategy

The strategic review carried out in 2005/06 identified a number of key initiatives to reverse the under-performance of the previous years and to stabilise the Group's financial position. The first initiative was to deal with the Group's indebtedness. This was largely achieved in the prior year with the disposal of three non-core operations for £23.0m. These disposals allowed the Group to start the year under review with a healthy net cash balance of £11.2m.

The second strategic initiative consisted of a number of cost reduction programmes. Those undertaken in prior years are continuing to deliver ongoing savings. The relentless focus on cost control has continued throughout the year. New opportunities have been taken to reduce our underlying fixed costs still further with, for example, annualised savings of £0.4m on our IT costs having been achieved during the year.

Thirdly, the strategic review highlighted the need to address the pensions legacy issue for the Group. Discussions with the Trustees of the Group's three UK defined benefit pension schemes resulted in a balanced outcome that protects and maintains future deficit contributions at a level equivalent to the last three years (£3.4m per annum, indexed to RPI, plus for the next two years the Southern Scheme Section 75 debt of £0.7m per annum) whilst at the same time allowing the Group scope to increase capital investment in the business itself. Importantly, risk has been significantly reduced with all three schemes closed to new members and to future service accrual. In addition, our administrative costs in this area, including the annual Pension Protection Fund levy, are being actively managed down. With effect from 1 April 2008, the Trustees of the Scapa Retirement Benefit Scheme and the Scapa Group plc Senior Retirement Benefit Scheme were replaced by a single independent Corporate Trustee.

The Group is committed to becoming a leading supplier in each of its target technical tape segments. By focusing on higher growth markets and technically advanced products, the Group will be able to further strengthen its position in the international market-place. The Group is therefore increasing investment in research and development by a further £0.5m this year to support future expansion. Scapa's broad technology base, extensive European position, strong North American presence and emerging business in Asia provide a strong basis for future profitable growth.

The improved operating performance of the Group, combined with a stronger opening Balance Sheet has allowed a significant increase in capital expenditure in the year to £3.7m, a 32% rise on the prior year. The Group will continue to increase capital expenditure in the coming year to address the cash constrained investment of prior years. Next year's expenditure, which is anticipated to be double that of the current year, will continue to improve operating efficiency in our facilities but also provide an appropriate infrastructure for future growth in all of our regions.

The confidence and means to invest in the business as we emerge from a recovery phase provide an excellent foundation for growth. Our medium-term goal for the Group's profitability is a Return on Sales of 8%. Consistent with this we are targeting a pre-tax Return on Capital Employed of over 20%.

Measuring our performance

Management is fully engaged in implementing plans for fundamental improvement across all areas of the business. The successful execution of these improvement activities will substantially enhance our business over a period of years. Alongside the improvement initiatives themselves we have implemented a new performance management and reporting framework that focuses effort and attention on target-driven results.

We have identified a number of critical success factors against which we will measure our performance and progress. We have chosen these factors because they represent what we believe are key performance indicators (KPIs) relating to our customers, employees, shareholders and other stakeholders. Each factor will be represented by at least one KPI and we intend using these as a basis for setting objectives and assessing our performance going forward. We are currently in the process of finalising the full range of KPIs and targets and will report further on these next year.

2007/08 Performance

Overview

Sales in 2007/08 fell by £14.2m in absolute terms but grew by £5.5m (3.3%) on an underlying basis. The underlying basis is after adjusting for the adverse impacts of business disposals (£18.1m) and foreign exchange (£1.6m), the latter being primarily a US Dollar issue that was partially offset in the second half of the year by a strengthening Euro. The underlying growth in revenue arose in our European operations from volume and sales price/mix. Revenues in North America and Asia were unchanged year-on-year. Targeted price rises in all regions were used to partly offset the impact of rising input costs from higher commodity prices in world markets.

Trading profit was similarly impacted by disposals (£0.9m) with absolute growth of £2.5m (36%), or £3.4m (56%) on an underlying basis. The underlying growth in trading profit was made up of a very strong improvement in Europe (£3.7m) and Asia (£0.5m), combined with lower corporate costs (£0.2m), partially offset by a weaker result in North America (£1.0m).

Europe

The general economic environment in Europe, whilst softer in the second half of the year, was still conducive to an underlying growth in revenues of £5.2m (5.5%) after adjusting for the impact of prior year disposals and currency movements.

Market sector growth rates were varied throughout the year with Automotive, Cable and Medical growing strongly at around 10% year-on-year, whereas Industrial (representing almost two-thirds of European turnover) was flat as a result of softer economic conditions in the Construction and Industrial Assembly sectors.

Trading profit in Europe grew by 138% to £5.0m, a dramatic improvement of £2.9m on the prior year. On an underlying basis, the result was stronger still with growth of £3.7m (almost a fourfold increase). The improved result was driven almost equally by higher revenues and continued reduction in factory costs and overheads, both from current and prior year cost-cutting and restructuring programmes. The improvement in European trading profit was largely driven by a significant turnaround in the performance of the two UK sites at Ashton and Dunstable.

North America

Business conditions in North America softened in response to the downturn in the general economy. The Building and Construction sector in particular was 20% down year-on-year, with the Automotive and Industrial Assembly sectors also difficult. Medical, however, had a good year with double digit growth. Revenue was broadly flat compared to the prior year (£0.3m up on an underlying basis). The second half of the year saw a reversal of the first half growth of 5.0%.

Market sector growth rates broadly reflect the overall flatness of sales year-on-year, with the exception of Medical. This helped to partially offset the 20% decline in the Building and Construction sector. Sales from our Canadian operations into the US were hampered by the strengthening of the Canadian Dollar from C\$1.14 to C\$1.04 to the US Dollar.

Whilst revenue ended the year flat in North America, trading profit fell by £1.1m to £6.5m with £0.1m of the decline due to currency. Improved gross margins from a better sales mix were more than offset by increases in raw materials, factory costs and overheads. In particular, as noted above, the strengthening of the Canadian Dollar against the US Dollar had a negative impact on margins on Canadian produced product sold into the US and invoiced in US Dollars.

Asia

The new management team appointed in November 2006 has produced strong results this year. Whilst revenue is flat year-on-year, this masks a deliberate and significant switch in sales away from low value cloth tapes towards higher value added products, particularly in the Electronics sector.

The trading up of the product mix is the key element in the £0.5m (250%) increase in trading profit to £0.7m (2007: £0.2m). Additional resources are now being allocated to our Asian operations to accelerate further growth.

Corporate

Corporate costs reduced year-on-year by £0.2m to £2.7m (2007: £2.9m). During the year additional costs were incurred in the discussions with Trustees on future pension contributions. However, these were offset by the curtailment credit arising on closure of the remaining two open schemes to new members and to future accrual.

Exceptional costs

During the year, the Group has written off £0.3m, the 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 has placed it into members' voluntary liquidation due to a downturn in business performance.

Finance costs

Following the business disposals in the prior year, the Group was able to repay its outstanding loans and create a significant cash balance which has been held on deposit for much of the year. Net interest receivable was therefore £0.6m (2007: net payable of £0.5m). Interest receivable was offset by the pensions financing charge (IAS 19 'Employee Benefits') of £2.0m (2007: £1.9m) and by the unwinding discount on the asbestos litigation provision of £0.4m (2007: £0.4m).

Taxation

The current year tax charge of £2.9m (2007: credit £0.4m) includes £1.3m of current tax (2007: £0.6m) and £1.6m of deferred tax (2007: £2.0m). The prior year benefited from an exceptional tax credit of £3.0m in respect of the release of a provision which was no longer required. The shift in the proportion of tax from deferred to current reflects the utilisation of tax losses in North America for which an asset had been recognised on the Balance Sheet. As a result, whilst the effective tax rate in North America is unchanged, a higher proportion is now current tax and next year the Group expects to pay cash tax in North America having utilised all federal losses.

Overall, the Group's effective tax rate has improved further to 38% (2007: 62%, 2006: 108%) and this lower rate should at least be maintained. The trend is created by the improving results of the UK operations where any operating profit is currently covered by the tax deductions for pension contributions. Changes to the Group's internal financing structures have also improved this position.

No deferred tax asset has been recognised in the UK for accumulated losses, accelerated capital allowances or pension deficit contributions due to the uncertainty of their utilisation. The unrecognised value of these assets in the UK is £15.3m (2007: £20.5m). The total unrecognised asset for the Group is £18.5m (2007: £23.7m). In the event that the recovery in the profitability of the UK operations continues and utilisation of these potential deferred tax assets becomes realised or likely, the assets or portions thereof will be recognised at that time.

Goodwill and asset impairments

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.

Pensions

The IAS 19 pensions deficit has fallen by £15.2m to £43.1m (2007: £58.3m). The three UK defined benefit schemes represent the largest portion of the deficit and that balance now stands at £39.6m (2007: £54.8m). While much of this reduction is due to market conditions for corporate bonds and inflation (and hence net discount rates), positive management action and company contributions have also played their part. This reduction was largely driven by actuarial gains of £12.7m and Company contributions of £4.9m. The closure of the remaining schemes to new members and future accrual half-way through the year has also had a positive effect on the deficit and marks a significant reduction in the risk profile of the schemes. Lastly, actions taken during the year, when added to the improved financial strength of the Company, have reduced the burden of the PPF levy on the pension schemes. Work is ongoing to reduce this further and to lower the administration costs of all three schemes.

Shareholder funds

The combined result of the retained profit for the year (£4.5m), the decrease in pension deficit (£12.7m) and favourable currency impact on overseas asset values (£4.5m) is a £21.8m increase in shareholder funds to £41.2m (2007: £19.4m).

Cash flow

The Group began the year with a strong opening net cash balance of £11.2m, having eliminated almost all bank debt in the prior year. During the year the Group generated an additional £3.5m of free cash with a favourable translation difference of £0.1m, resulting in a year end net cash balance of £14.8m. This is a particularly strong result given that it is after £4.9m of pension payments, an increase in capital expenditure of £0.9m and a cash tax bill that was higher by £0.6m.

Improved operating results flowed directly to enhancing the net cash inflow from operating activities before exceptional items of £8.5m (2007: £6.9m).

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 1,000 more plaintiff claims were dismissed and the total now stands at 18,360, a reduction of almost 16,000 since the peak of 34,000 in 2004. During the year two jury trials took place, in New Jersey and Maryland respectively. In the first trial there were successful verdicts in respect of two claimants and adverse verdicts totalling £0.4m in respect of the remaining three claimants. In the second trial, there was an adverse judgement with damages awarded to the plaintiff of £0.9m. This trial was a retrial of an earlier case that had been won on appeal in 2003. An appeal has been lodged against the adverse verdict in the first case and a notice of appeal has been filed in respect of the second.

The Group has not settled or paid damages in respect of any case brought against it and our insurance cover remains intact.

Business risk

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. From a revenue perspective, Scapa is not dependent on any single customer and in 2007/08 the largest single customer represented less than 4% of total Group sales, with the top ten global customers representing 20% of the total.

Scapa is a significant user of chemicals in our 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. In our view, we believe that the REACH legislation will have a limited impact on Scapa over the next three to five years. The Group, however, has initiated a series of projects to ensure that Scapa is compliant with the standards that have been set.

The Group operated 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 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 this year 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 will occur in 2009/10 and be based on the schemes' financial position as at 1 April 2009.

We have continued to adopt a detailed review process at all levels of the business to monitor and control business risks. 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. The Group is currently in the process of recruiting a Risk and Controls Manager to drive further continuous improvement in these areas.

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 2008 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 £9.7m in the UK and overseas, of which £0.2m were utilised at 31 March 2008. Further details on the Group's debt maturity profile are shown in note 19 to the accounts.

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 stronger Euro in the second half helped offset the weaker US Dollar.

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. 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 Group's strong net cash position the Corporate Treasury focus is currently on maximising the return on cash on deposit at an appropriate level of risk. 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 (AA-) and limits the individual and aggregate exposure to each bank. 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.

Consolidated Income Statement

For the year ended 31 March 2008

All on continuing operations

	<i>note</i>	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Revenue	2	170.1	184.3
Operating profit	2	9.2	15.7
Trading profit*		9.5	7.0
Exceptional items and movements in exceptional provisions:			
- Business disposals	4	(0.3)	11.9
- Reorganisation costs and exceptional provision movements	4	-	(1.3)
- Movement in asbestos litigation costs provision	4	-	0.9
- Property, plant and equipment and goodwill impairment	4,5	-	(2.9)
- Other	4	-	0.1
Operating profit		9.2	15.7
Interest payable		(0.1)	(1.2)
Interest receivable		0.7	0.7
		0.6	(0.5)
Discount on provisions		(0.4)	(0.4)
IAS 19 finance costs		(2.0)	(1.9)
Net finance costs		(1.8)	(2.8)
Profit on ordinary activities before taxation		7.4	12.9
Taxation on operating activities		(2.9)	(2.6)
Exceptional tax credit		-	3.0
Taxation (charge)/credit		(2.9)	0.4
Profit for the year		4.5	13.3
Weighted average number of shares	6	144.8	144.8
Basic and diluted earnings per share (p)	6	3.1	9.2
Dividend per share (p)		0.75	-

Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2008

All on continuing operations

	<i>note</i>	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Retained profit for the year	7	4.5	13.3
Exchange differences on translating foreign operations	7	4.5	(5.2)
Actuarial gains	7	12.7	3.1
Deferred tax on actuarial gains	7	(0.1)	-
Total recognised income for the year		21.6	11.2

* Operating profit before business disposals, impairments, reorganisation costs and movements in exceptional provisions.

Consolidated Balance Sheet

As at 31 March 2008

	<i>note</i>	31 March 2008 £m	31 March 2007 £m
Assets			
Non-current assets			
Goodwill		9.7	9.8
Property, plant and equipment		35.6	33.5
Deferred tax asset		5.8	6.2
Other non-current asset investments		5.0	5.1
		56.1	54.6
Current assets			
Inventory		22.2	18.5
Trade and other receivables		40.4	38.6
Current tax asset		0.7	0.1
Cash and cash equivalents		15.5	12.5
		78.8	69.7
Liabilities			
Current liabilities			
Financial liabilities:			
- Borrowings and other financial liabilities		(0.3)	(0.8)
- Derivative financial instruments		(0.3)	(0.1)
Trade and other payables		(32.3)	(29.0)
Current tax liabilities		(0.7)	(0.1)
Provisions		(1.2)	(1.6)
		(34.8)	(31.6)
Net current assets		44.0	38.1
Non-current liabilities			
Financial liabilities:			
- Borrowings and other financial liabilities		(0.4)	(0.5)
Trade and other payables		(2.3)	(2.0)
Deferred tax liabilities		(2.5)	(0.9)
Non current tax liabilities		(2.5)	(3.2)
Retirement benefit obligations		(43.1)	(58.3)
Provisions		(8.1)	(8.4)
		(58.9)	(73.3)
Net assets		41.2	19.4
Shareholders' equity			
Ordinary shares	7	7.2	7.2
Retained earnings	7	31.2	13.9
Translation reserve	7	2.8	(1.7)
Total shareholders' equity	7	41.2	19.4

Consolidated Cash Flow Statement

For the year ended 31 March 2008

All on continuing operations

	<i>note</i>	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Cash flows from operating activities			
Net cash flow from operations	8	8.5	6.9
Cash generated from operations before reorganisation and movements in exceptional provisions		9.5	9.1
Cash outflows from reorganisation and movements in exceptional provisions		(1.0)	(2.2)
Net cash flow from operations		8.5	6.9
Net interest received/(paid)		0.6	(0.5)
Income tax paid		(1.9)	(1.3)
Net cash generated from operating activities		7.2	5.1
Cash flows from investing activities			
Proceeds from business disposals		-	21.2
Purchase of property, plant and equipment		(3.7)	(2.8)
Proceeds from sale of property, plant and equipment		-	0.5
Repayment of government grant		-	(0.2)
Net cash (used in)/generated from investing activities		(3.7)	18.7
Cash flows from financing activities			
Repayment of borrowings		(0.3)	(12.4)
Net cash used in financing activities		(0.3)	(12.4)
Net increase in cash and cash equivalents		3.2	11.4
Cash and cash equivalents at beginning of the year		12.0	0.9
Exchange gains/(losses) on cash and cash equivalents		0.1	(0.3)
Cash and cash equivalents at end of the year		15.3	12.0

Notes on the Accounts

1. 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 profit or loss.

2. 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 2008 are as follows:

	Europe £m	N America £m	Asia £m	Eliminations £m	Corporate £m	Group £m
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)
Operating profit	5.0	6.5	0.7	-	(3.0)	9.2
Net finance costs						(1.8)
Profit on ordinary activities before taxation						7.4
Taxation on operating activities						(2.9)
Exceptional tax credit						-
Taxation charge						(2.9)
Profit for the year						4.5

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	89.0	59.7	21.4	-	170.1

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)	(1.2)	-	-	(4.3)
Deferred consideration	-	-	-	(0.3)	(0.3)

2. Segmental reporting (Cont'd)

The segment results for the year ended 31 March 2007 were as follows:

	Europe £m	N America £m	Asia £m	Eliminations £m	Corporate £m	Group £m
External sales	111.2	65.3	7.8	-	-	184.3
Inter-segment sales	4.3	2.9	1.6	(8.8)	-	-
Total revenue	115.5	68.2	9.4	(8.8)	-	184.3
Segment result (before exceptional costs)	2.1	7.6	0.2	-	(2.9)	7.0
Exceptional items and movements in exceptional provisions:						
- Business disposals	11.9	-	-	-	-	11.9
- Property, plant and equipment and goodwill impairment	(2.8)	-	(0.1)	-	-	(2.9)
- Movement in asbestos litigation costs provision	-	-	-	-	0.9	0.9
- Reorganisation costs and exceptional provision movements	(1.0)	-	(0.2)	-	(0.1)	(1.3)
- Other	-	(0.2)	-	-	0.3	0.1
Exceptional items	8.1	(0.2)	(0.3)	-	1.1	8.7
Operating profit/(loss)	10.2	7.4	(0.1)	-	(1.8)	15.7
Net finance costs						(2.8)
Profit on ordinary activities before taxation						12.9
Taxation on operating activities						(2.6)
Exceptional tax credit						3.0
Taxation credit						0.4
Profit for the year						13.3

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 was as follows:

	Europe £m	N America £m	Other £m	Corporate £m	Group £m
External sales	100.3	61.8	22.2	-	184.3

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

	Europe £m	N America £m	Asia £m	Corporate £m	Group £m
Depreciation	(3.9)	(1.1)	-	-	(5.0)
Impairment of goodwill	-	-	(0.1)	-	(0.1)
Impairment of property, plant and equipment	(2.8)	-	-	-	(2.8)
Litigation provision release	-	-	-	0.9	0.9

3. Segment assets and liabilities

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year then ended are 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 segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Corporate £m	Group £m
Segment assets	63.4	30.2	3.2	21.2	118.0
Segment liabilities	(55.7)	(8.1)	(1.3)	(35.6)	(100.7)
Capital expenditure	(1.5)	(1.2)	(0.1)	-	(2.8)

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. In the current year the tax assets and liabilities are £6.5m and £5.7m respectively. In the prior year the tax assets and liabilities were £6.3m and £4.2m. (The 2007 assets and liabilities have been restated to exclude taxation).

4. Exceptional items

An exceptional charge of £0.3m was made to cover the outstanding deferred consideration from the disposal of the loss-making Irish subsidiary in the prior year. The acquired entity has been placed into members' voluntary liquidation by the acquirer.

Exceptional items in the prior year resulted in a net credit of £8.7m. This included business disposals (£11.9m) and a reduction in the asbestos litigation provision (£0.9m) offset by impairment charges (£2.9m), reorganisation charges (£1.3m) and other gains (£0.1m).

5. Impairment of assets

Year ended 31 March 2008

The carrying value of the Group's goodwill has been reassessed at 31 March 2008 for any evidence that the carrying value may be impaired. The recoverable amount has been determined on a value in use basis. These calculations use pre-tax cash flow projections based on the financial forecast approved by management. The forecast is extrapolated for four years using a growth rate of 4%. Beyond year five no growth is forecast. The discount rate used in the calculations is 12.5%, which is the Group's pre-tax weighted average cost of capital.

The review indicates that the current carrying value of goodwill is fully supported by the associated future discounted cash flows and hence no additional impairments are required at this time.

Year ended 31 March 2007

The following impairments, totalling £2.9m, and reasons for them, were made in the year ended 31 March 2007:-

- £2.0m of the property at the Rorschach site (Switzerland) – slower than anticipated growth in the trading of the local operation
- £0.8m of the plant and equipment at the Ashton site (UK) - restructuring of the site following the Megolon disposal
- £0.1m of the goodwill relating to the joint venture buy-out of the Chinese operations in 2005 - slower than expected development in performance of the local operation

6. Earnings per share

Basic and diluted

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.

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 2008. The calculation does not move from an earnings per share of 3.1p

	2008	2007
Profit attributable to equity holders of the Company (£m)	4.5	13.3
Weighted average number of ordinary shares in issue (m)	144.8	144.8
Basic and diluted earnings per share (p)	3.1	9.2
Headline (before exceptional items)	2008	2007
Profit attributable to equity holders of the Company (£m)	4.5	13.3
Adjusted for:		
Exceptional items (£m)	0.3	(8.7)
Exceptional element of tax charge (£m)	-	(3.0)
Adjusted profit attributable to equity holders of the Company (£m)	4.8	1.6
Weighted average number of ordinary shares in issue (m)	144.8	144.8
Headline and diluted headline earnings per share (p)	3.3	1.1

7. 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

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

All on continuing operations

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Operating profit	9.2	15.7
Adjustments for:		
Depreciation	4.3	5.0
Profit on disposal of fixed assets	-	(0.5)
Loss/(profit) on disposal of businesses	0.3	(11.9)
Impairment of tangible fixed assets	-	2.8
Impairment of goodwill	-	0.1
Pensions payments in excess of charge	(4.3)	(3.7)
Pension curtailment	(0.6)	-
Movement in fair value of financial instruments	0.2	0.1
Share options charge	0.2	0.1
Grant income released	(0.1)	(0.1)
Changes in working capital:		
- Inventories	(2.2)	(0.8)
- Trade debtors	1.6	4.6
- Trade creditors	(0.8)	(2.0)
Changes in trading working capital	(1.4)	1.8
Other debtors	0.6	(0.8)
Other creditors	1.7	(0.3)
Deferred consideration	(0.4)	0.4
Net movement in other provisions	(0.3)	(0.3)
Net movement in reorganisation provisions	(0.3)	(0.1)
Net movement in asbestos litigation provision	(0.6)	(1.4)
Cash generated from operations	8.5	6.9
Cash generated from operations before reorganisation and movements in exceptional provisions	9.5	9.1
Cash outflows from reorganisation and movements in exceptional provisions	(1.0)	(2.2)
Cash generated from operations	8.5	6.9

The changes in working capital in 2007 include the unwind benefit of £2.0m relating to the business disposals made during that year.

Analysis of cash and cash equivalents and borrowings

	At 1 April 2007 £m	Cash flow £m	Exchange movement £m	At 31 March 2008 £m
Cash and cash equivalents	12.5	2.9	0.1	15.5
Overdrafts	(0.5)	0.3	-	(0.2)
	12.0	3.2	0.1	15.3
Borrowings within one year	(0.4)	0.3	-	(0.1)
Borrowings after more than one year	(0.4)	-	-	(0.4)
	(0.8)	0.3	-	(0.5)
Total	11.2	3.5	0.1	14.8

8. Reconciliation of operating profit to operating cash flow, and reconciliation of net debt (Cont'd)

Reconciliation of net cash flow to movement in net debt

	2008	2007
	£m	£m
Increase in cash and cash equivalents		
Increase in net cash and cash equivalents in the year	3.2	11.4
Cash outflow from decrease in loan finance	0.3	12.4
Change in net debt resulting from cash flows	3.5	23.8
Translation differences	0.1	0.6
Movement in net debt	3.6	24.4
Net cash after borrowings/(net debt)	11.2	(13.2)
Net cash after borrowings	14.8	11.2