

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if you are not in the United Kingdom, another appropriately authorised independent professional adviser.

If you have sold or otherwise transferred all your shares in Scapa Group plc please send this document and the accompanying Form of Proxy at once to the purchaser or transferee or to the stockbroker, bank manager or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred some only of your shares in Scapa Group plc, you should retain these documents.

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## Scapa Group plc

*(registered in England and Wales with registered no. 826179)*

# Notice of Annual General Meeting and Proposed Cancellation of Listing on the Official List and Admission to AIM

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This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Scapa Group plc which is set out on pages 6 to 8 of this document and which contains the recommendation of the Board that Shareholders vote in favour of the resolutions which are to be proposed at the Annual General Meeting.

Notice convening the Annual General Meeting of Scapa Group plc to be held at the offices of JPMorgan Cazenove at 20 Moorgate, London EC2N 6DA, is set out at the end of this document. To be valid, the Form of Proxy enclosed with this document for use in relation to the Annual General Meeting must be completed in accordance with the instructions set out therein and returned as soon as possible to Capita Registrars (Proxies) at PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR, but in any event so as to arrive not later than 10.00am on 23 July 2006. The return of the Form of Proxy will not preclude a member from attending and voting at the Annual General Meeting, in person, should he subsequently decide to do so.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|  |                          |
|--|--------------------------|
| Latest time and date for receipt of Forms of Proxy   | 10.00am on 23 July 2006  |
| Annual General Meeting   | 10.00am on 25 July 2006  |
| Last day of dealings in ordinary shares on London Stock Exchange's main market for listed securities | 22 August 2006           |
| Cancellation of listing of ordinary shares on the Official List                                      | 8.00am on 23 August 2006 |
| Admission to AIM and first day of dealings in ordinary shares on AIM                                 | 8.00am on 23 August 2006 |

## DEFINITIONS

|                                   |   |
|-----------------------------------|---|
| "Act"                             | the Companies Act 1985, as amended  |
| "Admission"                       | the admission to trading on AIM of ordinary shares  |
| "AIM"                             | AIM, a market operated by London Stock Exchange   |
| "AIM Rules"                       | the rules of AIM as set out in the publication entitled "AIM Rules for Companies" published by London Stock Exchange from time to time                                    |
| "Annual General Meeting" or "AGM" | the Annual General Meeting of the Company to be held on Thursday, 25 July 2006, notice of which is set out on pages 6 to 8 of this document                               |
| "Board"                           | the Board of Directors of the Company   |
| "Combined Code"                   | the corporate governance code issued by the Financial Reporting Council   |
| "Company" or "Scapa"              | Scapa Group plc   |
| "Delisting"                       | the cancellation of the listing of the ordinary shares on the Official List and of trading in the ordinary shares on London Stock Exchange's market for listed securities |
| "Directors"                       | the Directors of the Company, whose names are set out on page 3 of this document  |
| "Form of Proxy"                   | the form of proxy for use in relation to the Annual General Meeting which is enclosed with this document  |
| "JPMorgan Cazenove"               | JPMorgan Cazenove Limited of 20 Moorgate, London EC2R 6DA   |
| "Listing Rules"                   | the Listing Rules of the UK Listing Authority   |
| "London Stock Exchange"           | London Stock Exchange PLC   |
| "NOMAD"                           | nominated advisor, as defined in the AIM Rules  |
| "Official List"                   | the official list of the UK Listing Authority   |
| "Ordinary Shares"                 | ordinary shares of 5p each in the capital of the Company  |
| "Report and Accounts"             | the annual report and accounts of the Company for the twelve month period ended 31 March 2006   |
| "Scapa Optionholders"             | the persons who are entitled to acquire ordinary shares pursuant to outstanding options granted under the Company's share option schemes                                  |
| "Shareholders"                    | holders of ordinary shares  |
| "UK Listing Authority"            | the Financial Services Authority acting in its capacity as the competent authority for the purpose of Part VI of the Financial Services and Markets Act 2000              |



997 Manchester Road  
Ashton-under-Lyne  
OL7 0ED

Directors:  
K G G Hopkins (*Chairman*)  
C J O'Connor  
C M White  
M C Baughan  
S Kalyandjian  
S D Lennon  
R J Perry

19 June 2006

To the holders of shares in Scapa Group plc and for information only to the Scapa Optionholders.

## 2006 ANNUAL GENERAL MEETING

Notice of the 2006 Annual General Meeting to be held on Tuesday 25 July 2006 at 10.00am at the offices of JPMorgan Cazenove at 20 Moorgate, London EC2R 6DA is set out on pages 6 to 8 of this document.

I provide below further information regarding certain resolutions which Shareholders are to be asked to approve at the Annual General Meeting, including the resolution approving the proposed move from the Official List to AIM.

### Resolution 2 – Directors' remuneration report

In accordance with Section 241A of the Act, Shareholders are again asked to approve the Directors' Remuneration Report, which is set out on pages 13 to 20 of the Report and Accounts. The Directors are satisfied that the Company's policy and practice in relation to Directors' remuneration are reasonable and that they deserve Shareholder support.

### Resolutions 3 and 4 – Re-election of Directors

Mr Baughan and Mr Kalyandjian have indicated their intention to retire from the Board at the conclusion of the Annual General Meeting. Accordingly, they do not offer themselves for re-election.

As Mr O'Connor has been appointed by the Board since last year's Annual General Meeting, he is required to retire and offer himself for re-election by Shareholders. In addition, Mr White is retiring by rotation on this occasion in accordance with the Company's articles of association and is standing for re-election in the usual way.

A profile of all current Directors is set out on page 8 of the Report and Accounts. Following formal performance evaluation it has been determined that Mr O'Connor and Mr White are performing effectively in their respective roles.

### Resolution 7 – Allotment of shares

At the last Annual General Meeting held on 26 July 2005, Shareholders authorised the Directors pursuant to Section 80 of the Act to allot the authorised but unissued and unreserved share capital of the Company. This authority expires at the forthcoming Annual General Meeting.

In order to preserve the Board's flexibility in respect of the allotment of shares, Shareholders' approval (by ordinary resolution) is being sought in respect of a similar authority to the Directors, exercisable during the period up to the 2007 Annual General Meeting (or the period of fifteen months after the resolution is passed, whichever period is shorter), to allot the authorised but unissued and unreserved share capital of the Company (amounting to 40,396,447 ordinary shares, representing approximately 27.91 per cent. of the Company's issued share capital as at 19 June 2006). The Directors have no present intention of exercising this authority.

As at 19 June 2006, the Company did not hold any shares in the Company in treasury.

### Resolution 8 – Disapplication of pre-emption rights

Section 89 of the Act gives holders of equity securities (within the meaning of the Act), with limited but important exceptions, certain rights of pre-emption on the issue for cash of new equity securities. The Directors believe that it is in the best interests of Shareholders that, as in previous years, the Board should have limited authority to allot some part of the Company's authorised but unissued share capital for cash without first having to offer such shares to existing Shareholders. The current authority expires on the date of the forthcoming Annual General Meeting and, accordingly, it is proposed that this authority be renewed by special resolution. Again, the Directors have no present intention of exercising such authority.

The new authority, if granted, will disapply statutory pre-emption rights in respect of allotments in connection with any rights issue or other offer of shares on a pro rata basis (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) and, generally, in connection with allotments of up to 7,238,143 ordinary shares (equivalent to approximately 5 per cent. of the existing issued share capital of the Company). The authority, which will also disapply the provisions of section 89 of the Act in relation to any sales of treasury shares (within the limits referred to in resolution 8), will terminate at the close of the 2007 Annual General Meeting (or fifteen months after the resolution is passed, whichever is the earlier).

### **Resolution 9 – Authority for purchase of own shares by the Company**

At the last Annual General Meeting held on 26 July 2005, Shareholders passed a resolution authorising the Directors to make market purchases of the Company's own shares, as is permitted under Article 42 of the Company's articles of association. Although no such purchases have been made, the Directors consider it appropriate for the authority (which expires at the forthcoming Annual General Meeting) to be renewed and undertake that the authority will only be exercised when they consider that such a purchase would result in an increase in expected earnings per share and would be in the best interests of Shareholders. The Directors have no present intention of using such authority, but this position will be kept under review. The authority sought by special resolution will continue until the 2007 Annual General Meeting (or, if sooner, 25 October 2007) and will limit total purchases to 14,476,286 ordinary shares, corresponding to 10 per cent. of the Company's issued share capital as at 19 June 2006.

The price paid for any ordinary share purchased under such authority must not be less than the nominal value of such share, namely five pence, and must not exceed 105 per cent. of the average middle market price of the Company's ordinary shares as shown in the London Stock Exchange Daily Official List for the five business days immediately preceding the purchase.

It is the Board's intention that any ordinary shares purchased under such authority would be cancelled.

As at 19 June 2006, the latest practical date prior to the publication of this document, the number of ordinary shares which would be issued upon full exercise of all outstanding options to subscribe for shares in the Company was 5,528,991. This represents approximately 3.82 per cent. of the existing issued share capital and approximately 4.77 per cent. of the issued share capital as it would be if both the existing and the proposed authority to purchase ordinary shares were to be utilised in full.

### **Resolution 10 – Political Donations**

Shareholders will recall that, as a result of the wide definitions introduced by the Political Parties, Elections and Referendums Act 2000 ("the 2000 Act"), an appropriate resolution has been passed at each of the Annual General Meetings held since 2002 in order to avoid inadvertent infringement of the law. While the Board does not believe that the Company has made any "donations" or incurred any "EU political expenditure" pursuant to any of those resolutions, the authority granted by the resolution passed in 2005 expires at the forthcoming Annual General Meeting and the Board is therefore now seeking Shareholders' authority by an ordinary resolution to make "donations" and incur "EU political expenditure" (within the meaning of the Act, as amended by the 2000 Act), in each case up to an amount of £50,000, during the period up to the 2007 Annual General Meeting (or, if earlier, 25 October 2007). Shareholders should be aware that it is not the policy of the Company to make donations (as commonly understood) to political parties anywhere in the world and that the Directors intend that this policy will continue whether or not resolution 10 is passed.

### **Resolution 11 – Delisting and move to AIM**

On 8 June 2006 the Company announced its intention to delist the ordinary shares from the Official List and to move to AIM. Pursuant to the Listing Rules, the Delisting is subject to Shareholders' approval being obtained and it is for this reason that item 11 has been included in the Notice of the Annual General Meeting.

AIM was launched in June 1995 as London Stock Exchange's market specifically designed for smaller companies, with a simplified regulatory regime.

Having considered the matter for some time, the Board has now concluded that AIM is a more appropriate market for a company of Scapa's size and resources, particularly in light of recent changes in the regulatory environment for companies listed on the Official List (namely the introduction of the new prospectus rules and the adoption of new listing rules and disclosure rules). The Board believes that a move to AIM (which requires shareholder approval by a special resolution) should lead to a simplification of administrative requirements and will enable the Company to agree and execute transactions more quickly should any acquisition, disposal or other opportunities arise in the future. Shareholders should note that the Board envisages no alteration in the overall standards of reporting and governance which the Company currently achieves.

The obligations of a company whose shares are admitted to AIM are similar in many respects to those of a company on the Official List, with certain exceptions, including the following:

- Under the AIM Rules, a nominated adviser ("NOMAD") is required at all times and has ongoing responsibilities to both the Company and London Stock Exchange. On Admission the Company's existing financial adviser and broker, JPMorgan Cazenove, will be appointed as the Company's NOMAD and broker.
- For transactions by AIM companies, prior shareholder approval under the AIM Rules is only required for reverse takeovers and disposals that result in a fundamental change of business (defined as any disposal or disposals over the previous 12 months in respect of which a ratio of 75 per cent. is exceeded on one or more of a number of size tests specified in the AIM Rules). Under the Listing Rules, a broader range of transactions require prior shareholder approval.
- There is no requirement under the AIM Rules for listing particulars or admission documents for further issues of securities, except as otherwise required by law or on admission of a new class of securities to trading.
- The Combined Code does not apply directly to AIM companies.

Liquidity on AIM is currently provided by market makers who are member firms of London Stock Exchange and who are obliged to quote a share price between 8.00am and 4.30pm on business days. The Directors consider that AIM has demonstrated that it can provide a liquid trading platform for shares.

According to their circumstances, there may be tax advantages for private shareholders arising from the proposed transfer to AIM, since companies whose shares are traded on AIM are deemed to be unlisted for the purposes of certain provisions of UK taxation. Following the transfer to AIM, individuals who hold ordinary shares may be able to transfer those ordinary shares without giving rise to a liability to inheritance tax on death, subject to the shares having been held for two years.

Further, ordinary shares should become eligible for business asset taper relief against capital gains tax and therefore in most cases gains made on disposals of ordinary shares by individual Shareholders should qualify for a proportionate application of business assets and non business assets taper relief. Shareholders should note that existing holdings of ordinary shares will generally be treated as having been non-business assets for taper relief for periods up to the transfer to AIM. It may be possible for a limited range of individual Shareholders to claim business assets taper relief in respect of their full period of ownership, but it is anticipated that for the majority a proportionate application of business assets and non business assets taper relief will apply.

Shareholders or prospective investors should consult their own professional advisers on whether the tax advantages referred to above may be available to them and should also note that it is not possible to hold shares traded on AIM in PEPs or ISAs. The Board understands that, following Admission, Shareholders who currently hold ordinary shares in a PEP or ISA will, under current HM Revenue and Customs rules, have 30 days to decide whether to transfer such shareholding into their own name or to sell the shareholding and retain the proceeds within the relevant PEP or ISA.

The comments above in relation to the tax implications of a move to AIM are based on the Directors' current understanding (having taken advice) of UK tax law and HM Revenue and Customs practice and are primarily directed at individuals who are UK resident and domiciled. Such comments are not tailored to the circumstances of any particular individual. Tax rules can change and the precise tax implications for each Shareholder will depend on the particular circumstances of that Shareholder. Neither the Company nor the Directors (or any of them) accept responsibility to any Shareholders in relation to any tax implications of the proposed move to AIM. If you are in any doubt as to your tax position, you should consult your professional adviser.

Conditional upon resolution 11 being approved at the Annual General Meeting, the Company will give notice of its intention to cancel the listing of the ordinary shares on the Official List and will apply to London Stock Exchange for the admission of such shares to AIM.

It is anticipated that trading in the ordinary shares on London Stock Exchange's main market for listed securities will cease at close of business on 22 August 2006, with cancellation of the listing on the Official List taking effect at 8.00am on 23 August 2006 (being not less than 20 business days following the passing of resolution 11). Admission of the ordinary shares is expected to take place, and dealings in the ordinary shares on AIM are expected to commence, at 8.00am on 23 August 2006.

#### **Report and Accounts**

The Report and Accounts are issued to Shareholders accompanying this document. A copy of the Report and Accounts has been submitted for public inspection at the document viewing facility of the UK Listing Authority. Further copies may be obtained from the Company Secretary, by application to the registered office of the Company.

#### **Action Required**

You will find with this document a Form of Proxy for use in respect of your ordinary shares at the Annual General Meeting. A proxy may also be appointed, if you are a member of CREST, by using the CREST electronic proxy appointment service, further details of which are set out in note 3 to the Notice of Meeting, which can be found on pages 6 to 8 of this document.

Whether or not you are able to attend the meeting, you are requested to appoint a proxy either by completing and returning the enclosed Form of Proxy, or through the CREST electronic proxy appointment service, in either case prior to the relevant deadline specified in note 2 or note 3, as applicable, to the Notice of Meeting. The appointment of a proxy will not prevent you from attending and voting in person at the meeting should you subsequently decide that you wish to do so.

#### **Recommendation**

The Board consider the resolutions which are set out in the Notice of Meeting on pages 6 to 8 of this document, and which are to be proposed at the forthcoming Annual General Meeting, to be in the best interests of the Company and of Shareholders as a whole and unanimously recommend Shareholders to vote in favour of all such resolutions, as they intend to do in respect of their own beneficial holdings.

Yours faithfully,

K G G Hopkins

Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2006 Annual General Meeting of Scapa Group plc will be held at the offices of JPMorgan Cazenove at 20 Moorgate, London EC2R 6DA on Tuesday 25 July 2006 commencing at 10.00am to consider and, if thought fit (and subject, in the case of resolution 7, to the passing of resolution 8), pass the following resolutions which will be proposed in the case of resolutions 1 to 7 and 10, as ordinary resolutions and, in the case of resolutions 8, 9 and 11, as special resolutions:

- 1 To receive the Company's Report and Accounts for the year ended 31 March 2006.
- 2 To approve the Directors' Remuneration Report for the year ended 31 March 2006.
- 3 To re-elect as a Director Mr. C J O'Connor (who was appointed a Director in October 2006).
- 4 To re-elect as a Director Mr C M White, who retires by rotation in accordance with the Company's Articles of Association.
- 5 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
- 6 To authorise the Directors to fix the remuneration of the auditors.
- 7 That, in substitution for all existing authorities, the Directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the said Act) up to an aggregate nominal amount of £2,019,822.35, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 25 October 2007, whichever is the earlier, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry.
- 8 That the Directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) of the said Act) for cash pursuant to the authority conferred by resolution 7 in the Notice of Meeting of which this resolution forms part and to sell relevant shares (as defined by Section 94(5) of the said Act) of the Company if, immediately before such sale, such shares were held by the Company as treasury shares (within the meaning of section 162A(3) of the said Act) as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment and/or sale, provided that this power shall be limited to the allotment of equity securities and/or sale of relevant shares:
  - (a) in connection with a rights issue or any other issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of equity securities held by them, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems or any other matter whatever arising under the laws of, or the requirements of any recognised regulatory body or stock exchange in, any territory; and
  - (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate of 7,238,143 ordinary shares, and shall, unless renewed or revoked, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 25 October 2007, whichever is the earlier, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted, or relevant shares to be sold, after such expiry.
- 9 That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares in the capital of the Company, provided that:
  - (a) the maximum number of ordinary shares hereby authorised to be purchased is 14,476,286;
  - (b) the minimum price which may be paid for any share (excluding expenses) is 5p;
  - (c) the maximum price per share at which ordinary shares may be purchased (excluding expenses) shall not be more than 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the contractual date of purchase of such share;
  - (d) the authority to purchase hereby conferred shall, unless previously renewed, varied or revoked, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 25 October 2007, whichever is earlier; and
  - (e) the Company may prior to the expiry of such authority make a contract or contracts to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority.

- 10 That in accordance with section 347C of the Companies Act 1985 the Company is authorised:
- (a) to make donations to EU political organisations, as defined in section 347A of the said Act, not exceeding £50,000 in total; and
  - (b) to incur EU political expenditure, as defined in section 347A of the said Act, not exceeding £50,000 in total,
- during the period beginning with the date of the passing of this resolution and ending on 25 October 2007, or, if sooner, at the conclusion of the Annual General Meeting of the Company to be held in 2007.
- 11 That the listing of the Company's shares on the Official List of the UK Listing Authority, and the trading of the Company's shares on London Stock Exchange's market for listed securities, be cancelled and the Company be authorised and instructed to seek admission of its shares to trading on AIM.

By order of the Board  
M R Stirzaker  
Company Secretary

19 June 2006

Registered Office:  
997 Manchester Road  
Ashton-under-Lyne  
OL7 0ED

Registered in England  
No: 826179

## Notes

- 1 In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001 the Company specifies that, to have the right to attend and vote at the meeting or any adjournment thereof (and also for the purposes of calculating how many votes a person may cast), a person must have his/her name entered on the Company's register of members by no later than 6.00pm on the day being two days before the date of the meeting or any such adjournment.
- 2 A member who is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not also be a member, but may vote only on a poll. A Form of Proxy is enclosed. To be valid, Forms of Proxy must be lodged with the Company's registrars not less than 48 hours before the time appointed for the meeting.
- 3 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (IDRA10) not less than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 4 In the absence of any indication as to how he is to vote on any resolution, the proxy will (whether he is appointed by the lodging of a Form of Proxy or through the CREST electronic proxy appointment service) vote for or against such resolution, or will abstain, at his discretion, as in each case he is entitled to do in respect of any procedural matters arising at the meeting.
- 5 The register of interests of the Directors and their families in the share capital of the Company kept by the Company under Section 325 of the Companies Act 1985 and copies of the contracts of service of Directors will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company from the date of this notice of meeting until the close of the Annual General Meeting.