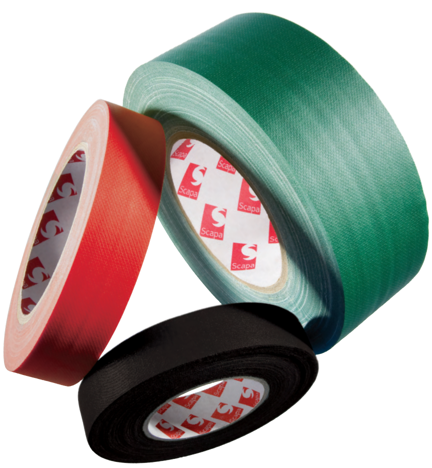
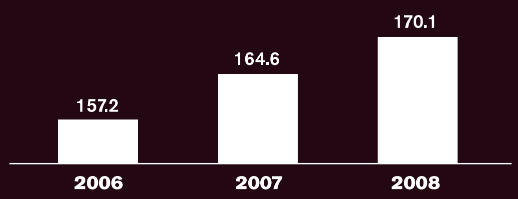
Annual Report and Accounts
2008



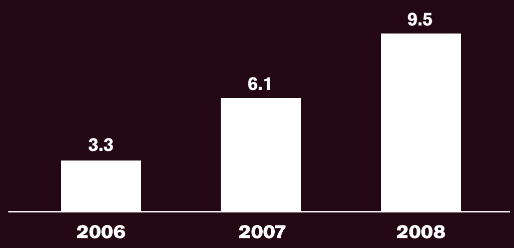
What we do

Scapa is one of the world's leading technical adhesive tapes and film manufacturers. Our wide variety of standard and bespoke products are used in a host of different industries with applications for assembly, insulation, protection, repair and identification. We have manufacturing facilities in 12 locations and sales operations in 18 countries. We sell our products in over 100 countries across the globe. We are managed and structured around three principal regions; Europe, North America and Asia. We employ 1,395 staff around the world.

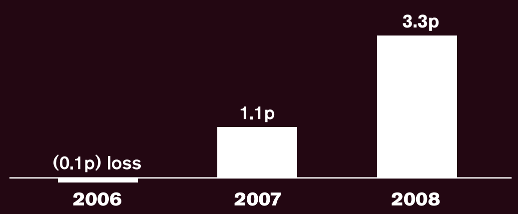
Financial Highlights



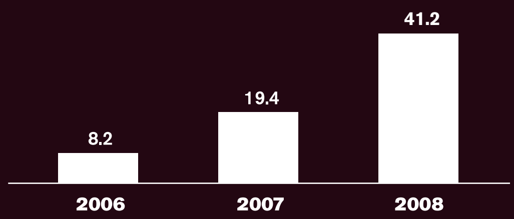
Underlying Group Turnover (£m)



Underlying Trading Profit (£m)



Headline Earnings per Share (pence)



Shareholders' Funds (£m)

Contents

Results Summary

	2008	2007
Revenue £m	**170.1**	184.3
Operating profit £m	**9.2**	15.7
Trading profit* £m	**9.5**	7.0
Profit before tax £m	**7.4**	12.9
Trading profit before tax* £m	**7.7**	4.2
Earnings per share (p)	**3.1**	9.2
Headline earnings per share* (p)	**3.3**	1.1
Dividend per share (p)	**0.75**	–

* Trading profit and headline items are defined as operating profit before business disposals and exceptional costs and any tax impact thereof. Other figures are prepared under International Financial Reporting Standards (IFRS) (the parent company financial statements are prepared under UK Generally Accepted Accounting Principles (UK GAAP)). Trading figures are presented to provide a more meaningful indication of underlying business performance and trends. These are the primary performance figures used by management.

Definitions

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

Underlying – Sales or profit before exceptionals, foreign currency movements and the effect of business disposals
Trading – Operating profit before exceptional items
Return on Sales – Trading profit divided by sales

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

Revenue 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.

James Wallace

J A S Wallace
Chairman

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

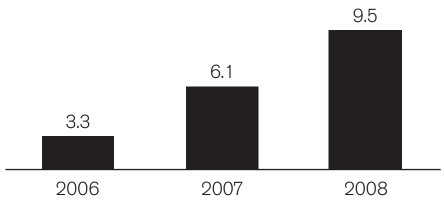
Management is fully engaged in implementing plans for fundamental improvement across all areas of the business. The successful execution of these improvement activities will substantially enhance our business over a period of years. Alongside the improvement initiatives themselves we have implemented 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.



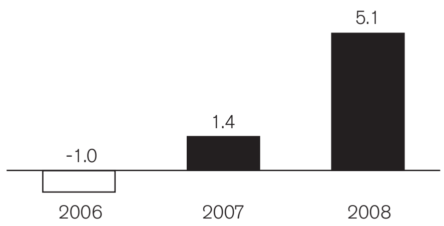
Underlying Trading Profit (£m)

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 revenue) was flat as a result of softer economic conditions in the Construction and Industrial Assembly sectors.



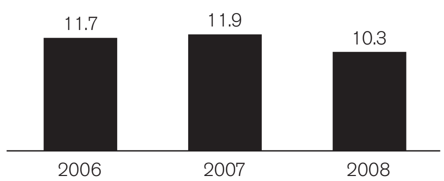
Underlying Return on Sales (%)

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.

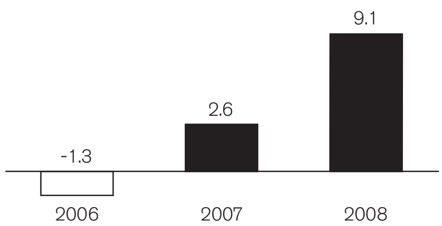


Underlying Return on Sales (%)

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.



Underlying Return on Sales (%)

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 £1.2m of current tax (2007: £0.1m) and £1.7m of deferred tax (2007: £2.5m). The prior year also 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.

Business Review

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.

Environment and Health and Safety

2007/08 performance
Scapa as a Group recognises the importance of managing the consumption of the world's natural resources as well as providing a safe and healthy working environment for its employees. This initiative starts with the direct involvement of Group senior management to set targets, assign clear responsibility and constantly monitor progress across each region.

Scapa is a manufacturing group that consumes non-replaceable raw materials, chemicals and energy in our production processes and the final products themselves. Clearly the successful growth of our business will lead to the consumption of more resources, on an absolute basis. We therefore attempt to reduce, or where possible eliminate, the amount of resource consumed for each unit of production. This has the double benefit of improving profitability whilst reducing the size of our environmental footprint (again, on a unit of production basis).

To measure progress of Scapa's environmental and health and safety programmes, the Group has implemented an internally developed audit system, which replaces a third party system utilised in the past. The new audit template was specifically designed to increase the scope of audits and employs a tougher standard with process specific focus. Each site is audited by a trained individual semi-annually with results reported to all management levels up to and including the Group Board. North America has now been employing the new audit template for the past two years while 2007/08 was the first year of full deployment throughout the Group.

Environment

Air emissions
Scapa actively seeks to minimise the discharge of VOC's, particulates, and odour into the atmosphere. Solvent based adhesive coating processes are used in many locations throughout Scapa. Evaporated solvents are captured and effectively destroyed using modern thermal oxidisers or condensed using solvent recovery systems. As an example, a new thermal oxidiser was commissioned at the Carlstadt, New Jersey site during 2007/08 that reduced already low VOC emissions by up to 50%. All sites using thermal oxidisers undergo strict third-party testing to ensure that

Business Review

all legislated requirements are met or exceeded. Our Italian site is in the process of installing a state-of-the-art solvent recovery system that will allow for re-use of solvents within existing processes. In Renfrew, Ontario all air discharged from the solid rubber adhesive mixing process is passed through multi-stage particulate filters and charcoal filters to remove all rubber odour.

Solvent purchases
While Scapa utilises solvent based adhesives in all regions, much work is underway to reduce the quantity of process solvent for environmental and cost reasons. Scapa Asia and Scapa North America are both developing UV curable adhesives and processes to completely eliminate the use of solvents for specific applications and a number of products have already been successfully launched. Renfrew and Ashton sites manufacture an extensive line of tape products utilising solid adhesive formulations with no requirement of solvents within the coating process.

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

Gas and electricity consumption
Gas and electricity remain significant inputs to Scapa processes in all regions. Constant reduction of energy demand is a key component of the Scapa environmental programme. For example, during the past year all major North American sites installed variable speed air compressors that reduce electrical energy demand by up to 40%. New electronic drive systems were installed on polyethylene processing equipment in Renfrew thus reducing electrical demand by 35%. Power factor correction equipment is maintained in all major sites to balance inductance loads thus reducing demand on local utilities and maintaining the highest possible demand efficiencies.

Manufacturing waste
Waste reduction is under continual focus with a significant direct impact on profitability. Some examples of current initiatives include:

- The Windsor site continues to work with a US company that converts manufacturing and other biomass wastes into zero mercury, low sulphur, clean burning fuel cubes used for electricity generation and process boilers. Combining this with other waste re-use programmes, Windsor diverted over 400 tonnes of material destined for landfill into valuable products.
- The Renfrew site continues to re-work process waste products to manufacture pipeline protection tapes. As a result of this programme, over 250 tonnes of waste were converted into high value tape products this year.
- For the ninth consecutive year the Inglewood site received a WRAP Award (Waste Reduction Awards Program) from the California Integrated Waste Management Board. 48.1% of the Inglewood waste stream was re-directed from landfill through recycling and re-use efforts.

Other manufacturing improvements
In addition to the many examples already cited Scapa implemented a number of other improvements that improved environmental performance:

- Bulk storage tanks were installed in Renfrew for liquid adhesive resins thus eliminating the need for one-use steel drums. Further to this, it eliminated the waste materials that remained within emptied drums and the pre-heating of drums prior to being emptied.
- Within the Renfrew adhesive mixing department the water cooling system was reconfigured to a closed loop system that reduced demand on the local water supply by over 7,000 cubic meters per month.
- The operation in France engineered out a plasticiser for a major PVC product line. This change reduced the volume of the particular chemical used by 90%.
- France is developing a new line of products utilising Polyolefin instead of PVC, which is halogen and plasticiser free.
- Italy has developed a halogen-free wire harness tape ('Autolon').

Reach
Products sold within European Union countries are impacted by the new REACH regulations that were effective June 2007. While final implementation guidelines are still being drafted by the European Chemicals Agency, Scapa has worked closely with their Trade association AFERA to fully understand the implications and compliance measures of this new legislation. As a result of this work, Scapa Europe has established a programme to ensure that all operating companies and their raw material suppliers understand their obligations under REACH and are fully prepared to comply with the new regulations in time to meet the relevant deadlines. These deadlines start in December 2008 and finish in 2018.

A steering committee of senior European managers and directors has been created to coordinate the Scapa Reach programme and to provide guidance to local, multifunctional REACH teams at each European site. This involves a comprehensive communication plan and action plan to review all raw materials and products. At the current stage of review no major risks have been identified and the legislation should be beneficial to the Group from a competitive viewpoint.

Health and Safety

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

Scapa continues to invest in training and development for safety management. Equally important has been the increasing level of capital expenditure focused on eliminating risk for employees and reducing the impact of our products and processes on the environment.

The Board targets for the year of 2007/08 were a minimum 10% annual improvement in all KPIs to ensure the entire organisation is focused on employee safety and welfare. This priority is strongly reinforced by the Board who remain directly involved in monitoring performance on a regular basis. Continuous improvement is sought in all areas with particular emphasis on the following:

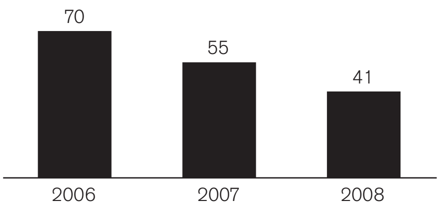
- Operational housekeeping and business audits

- Proper and improved use of Personal Protective Equipment
- Machine guarding
- Ergonomics
- Material handling and storage
- Counter balance and fork truck improvements
- Employee training
- Auditing of H&S policies and practices

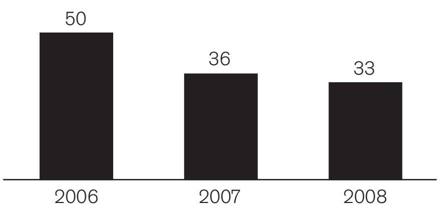
All sites within the Group report Key Performance results monthly and are audited at least twice a year against a standard audit template to ensure a consistently high level of compliance and continuous improvement. Our internal accident investigation process has undergone a step change this year and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

Key metrics monitored by the Board include:

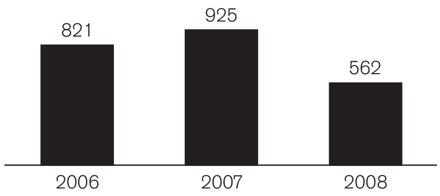
Lost time accidents: The Group exceeded the 10% reduction target with a 25% improvement during the year. Europe achieved a 14% reduction in the year and North America achieved a 67% reduction. Asia had no lost time accidents.



Accidents greater than 4 days off work: The Group missed the 10% reduction target with only 8% improvement during the year. Europe had the same number of cases as the prior year, whereas North America achieved a 60% reduction. Asia had no lost time accidents. We are closely monitoring the underlying causes of the European result.



Lost time days: The Group exceeded the 10% reduction target with a 39% improvement during the year. Europe achieved a 29% reduction in the year, following on from two relatively flat years. North America reduced lost time days by 76% following one significant accident in the prior year that led to a very long recovery period. Asia had no lost time days.



Reportable accidents: The Group exceeded the 10% reduction target with a 24% improvement during the year. Europe reduced the number of reportable accidents by 25% whilst North America results were flat with two reportable accidents. Asia again had no accidents.

Our overall performance on Health and Safety measures is improving year-on-year. However, the breakdown of performance into regions and sites shows a very diverse range of performance. For example, Europe employs 817 people and experienced 37 lost time accidents, 31 accidents greater than four days off work and 517 lost time days. In comparison, in North America where we employ 494 people, there were four lost time accidents, two accidents greater than four days off work and only 70 lost time days. This disparity is clearly a cause for concern and management are actively seeking to leverage, where appropriate, the benchmark practices of North America.

Within Europe, performance varies significantly between sites. Italy has achieved an excellent zero rating on all four metrics and the UK rate is between 60%-75% better than our most worrying results in France which employs one-third of European personnel but attracts two-thirds of the accidents incurred (and suffered more accidents this year than last year). Management and staff are working together to address this apparent cultural/behavioural difference. We are also working to ensure that the same approach to safety and reporting is adopted throughout Asia as in Europe and North America.

2008/09 goals:

The ultimate goal for all Scapa sites remains zero accidents and zero lost days. We believe strongly that establishing goals any less than this target would send the message that some level of injury due to work-related accidents is acceptable. We again expect annual improvements of 10% as we work towards our accident-free target.

Performance in our North American and Italian sites clearly sets the benchmark for the Group for Health and Safety. Working groups are in place to share best practices and peer reviews are taking place. A number of new initiatives have been rolled out in Europe this year and we appreciate the support and collaboration of the workforce and their representatives. The new global audit process has been launched and a critical project examining all of our equipment for sources of sparks and ignition has begun. This latter project aims to reduce the risk of, and hazards caused by, fire or explosion.

The Board

C J O'Connor
Chief Executive

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

S D Lennon
Chief Operating Officer

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

B T Tenner
Finance Director

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

J A S Wallace* § °
Chairman

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

R J Perry* § °
Non-Executive Director

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

M C Buzzacott* § °
Non-Executive Director

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

M R Stirzaker
Company Secretary and General Counsel

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

Board Committees

* Audit Committee
§ Remuneration Committee
° Nominations Committee

Accounts

Contents

Report of the Directors

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2008.

Principal activities and business review
Scapa Group plc is the holding company for a group of companies operating in the manufacture and supply of technical adhesive tapes and film. A review of the development of the Group's business is contained on pages 2 to 7 and forms part of this report and complies with the Companies Act 2006.

Results and dividends
Trading profit, before tax and exceptional items was £9.5m (2007: £7.0m), an increase of £2.5m. Exceptional items in the year were £0.3m (2007: £8.7m). No interim dividend was paid to shareholders (2007: £nil). The Directors are recommending a dividend of 0.75p for each Ordinary Share for the year ended 31 March 2008 (2007: £nil). Subject to shareholders approving this recommendation at the Annual General Meeting, the dividend will be paid on 7 August 2008 to shareholders on the register at the close of business on 27 June 2008.

A profit before tax of £7.4m (2007: £12.9m) was recorded for the year ended 31 March 2008, with basic and diluted earnings per share of 3.1p (2007: 9.2p).

Annual General Meeting
The Annual General Meeting will be held on 31 July 2008 at 100 Barbirolli Square, Manchester M2 3AB. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in a separate document, enclosed with this report.

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

Board of Directors
The names of the present Directors and their biographical details are shown on page 8.

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

There are no Directors who are required to retire under the one-third rule. The Director retiring in satisfaction of the three-year rule is Mr Perry. Mr Wallace was appointed as a Non-Executive Director on 30 August 2007 and as Non-Executive Chairman on 1 October 2007, and Mr Buzzacott was appointed as a Non-Executive Director on 1 March 2008. Under the Articles of Association all three will be required to retire as Directors at the Annual General Meeting and seek re-election by shareholders. The Board has evaluated the performance and effectiveness of Mr Perry and will evaluate the performance of Mr Wallace and Mr Buzzacott during the current financial year. The Board recommends all of them for re-election.

The interests of the Directors in the shares of the Company as at 31 March 2007 and 31 March 2008 are shown in the Directors' Remuneration Report as are details of the Directors' service contracts or letters of appointment. No third party indemnity provisions have been in place for any of the directors during the year.

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

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

Scapa aims to give full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their positions or be trained for other suitable positions.

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

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

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

The Sharesave share option plan gives the opportunity to all UK employees with qualifying service to participate in the equity of the Company. As at 31 March 2008, 91 employees were members of the scheme with 1,785,893 options over shares.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. The Company had no trade creditors at 31 March 2008.

Research and Development

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

Health and Safety

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

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

Financial risk management

The Group's approach to managing financial risk is covered on page 34.

Business ethics

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

Political and charitable donations

It is not corporate policy to make any political donations and, accordingly, no political donations were made during this year. Charitable donations made during this year amounted to £6,881 (2007: £21,472). The majority of charitable donations made, on a discretionary basis, are to organisations based in the vicinity of Scapa sites, especially organisations which support health, educational and performing arts causes.

Share options

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in note 22 of the accounts on page 54.

Report of the Directors

Major shareholders

The Company has been notified that the following have an interest of 3% or more in the issued share capital of the Company, as at 27 May 2008:

	%
Silchester International Investors Ltd	12.61
Cazenove Capital Management	9.83
Arch Financial Products	8.02
Rights & Issues Investment Trust	7.20
Investec Asset Management	6.58
UBS Global Asset Management	5.08
Wellcome Trust	3.63
M&G Investment Management	3.57

Takeovers directive

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual directors' holdings is disclosed on page 17. There are no other significant holdings of any individual.

Auditors and disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the Board
M R Stirzaker, BA, Solicitor
Company Secretary
29 May 2008

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

Directors' Remuneration Report

This report describes the role and composition of the Remuneration Committee ('the Committee'), the Company's remuneration policy and the arrangements currently applicable for the remuneration of Executive and Non-Executive Directors. The report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, although the Regulations do not strictly apply to an AIM listed company. A resolution to approve the report will be proposed at the Annual General Meeting 2008.

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

Remuneration Committee

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

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

The Committee determines, on behalf of the Board, the Company's policy on the remuneration of the Executive Directors. The Committee determines the total remuneration packages for these individuals, including the recruitment terms, remuneration benefits, employment conditions, pension rights and any compensation payments on termination of office. The Committee also determines the remuneration framework for other specified senior executives. The Committee met five times in the year to 31 March 2008 and all members of the Committee attended each of the meetings which were held during their respective periods of membership.

Advisers

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

Remuneration policy

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

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

Components of remuneration

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

Basic salaries

This is a fixed cash sum, payable monthly. Salaries are reviewed annually by the Committee in the light of individual performance and market comparisons for similar jobs. Factors considered for comparison purposes include company type and sector, measures of company size and degree of international scope. Any changes made to the Executive Directors' salaries normally take effect from 1 April. The basic salaries of the Executive Directors for the year ending 31 March 2008 are set out in the table on page 14.

Annual bonus

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

For the year ended 31 March 2008 the bonus scheme was based on year-on-year improvement in operating profit plus an element relating to improvement in trading working capital. Accordingly, a sliding scale was fixed based on improvement against the prior year's operating profit. No payment would be made for achievement below that figure. In respect of Mr O'Connor the profit-related element was capped at 57.5% of basic salary and the working capital related element was capped at 17.5%. In respect of Mr Tenner and Mr Lennon these elements were capped at 45% and 15% respectively, and in the case of Mr Tenner was apportioned on a time basis from the date of his appointment.

In respect of 2008/09 the Committee has decided that the focus of the bonus scheme should remain year-on-year improvement in operating profit plus an element relating to improvement in trading working capital. Accordingly, a sliding scale has been fixed based on performance improvement against the operating profit for 2007/08. No payment will be made for achievement below that figure. In respect of Mr O'Connor the profit-related element is capped at 60% of basic salary and the working capital related element is capped at 15%. In respect of Mr Lennon and Mr Tenner these elements are capped at 48% and 12% respectively.

Benefits in kind

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

Directors' Remuneration Report

Executive Directors' emoluments*

The elements of Executive Directors' remuneration for the year ended 31 March 2008 are set out in the following table:

	Basic salary (excluding pensions) £	Annual bonus (payable June 2008) £	Benefits in kind (excluding pensions) £	Total emoluments (excluding pensions) 2008 £	Total emoluments (excluding pensions) 2007 £
C J O'Connor	244,500	140,588	14,978	400,066	351,212
S D Lennon§	185,288	83,475	20,627	289,390	241,928
B T Tenner (appointed 14 June 2007)	135,346	60,990	8,226	204,562	–
	565,134	285,053	43,831	894,018	593,140

§ Based in the USA

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

Aggregate emoluments for all Executive and Non-Executive Directors for the year ended 31 March 2008 were £1,013,392. Aggregate emoluments for all Executive and Non-Executive Directors for the year ended 31 March 2007 were £847,677.

Mr C M White (resigned 29 November 2006) was paid £75,583 in the current tax year as part of his compromise agreement, no further amounts are now payable (2007: £150,041).

Pension arrangements*

Mr O'Connor and Mr Tenner are not members of a Group pension scheme and have made their own independent pension arrangements into which the Company paid contributions totalling £85,575 and £33,646 respectively for the year to 31 March 2008. Mr Lennon is a member of defined benefit and defined contribution plans operated by Scapa North America. Company contributions to the defined contribution plans in which Mr Lennon participates totalled £18,504 for the year to 31 March 2008.

Defined Benefit Scheme – USA

	Accrued pension at 31.03.08 £ p.a.	Increase in accrued pension during the year £ p.a.	Accrued pension at 31.03.07 £	Value of net increase in accrual in the year (net of contributions) £	Transfer value of accrued pension at 31.03.08 £	Transfer value of accrued pension at 31.03.07 £	Increase in transfer value in the year (less director's contributions) £
S D Lennon	53,699	8,388	45,311	69,474	444,779	358,248	86,531

Notes

(1) Mr Lennon is eligible to receive benefits under three separate defined benefit plans in the USA: one qualified plan and two non-qualified plans. The results shown above are the sum total of these three plans and are shown at the average prevailing Dollar/Sterling exchange rates for the relevant year. These plans do not allow the participant to make contributions to the plan.

(2) The accrued pensions are the amounts which would be paid if the Director left service at the relevant date, but ignoring any vesting or eligibility requirements under the plan.

(3) Inflation imbedded in the accrued benefit amounts has been assumed to be zero for the purpose of calculating the increase in accrued pension net of inflation.

(4) The employer makes contributions to the qualified plan, but these contributions are not allocated to any specific plan participant. The two non-qualified plans are unfunded from the plan's perspective. However, a rabbi trust does exist for these two plans and Scapa has made contributions to the rabbi trust. These contributions belong to the Company and not the participant.

(5) The concept of transfer values does not exist in US defined benefit plans. However, these three defined benefit plans do allow the participant to receive a lump sum benefit if they meet certain eligibility requirements. The lump sum benefits under these three plans have been calculated using the provisions outlined under each plan, but ignoring these eligibility requirements. The calculation of lump sum benefits is regulated by the IRS for qualified plans. The Scapa non-qualified plans use the same provisions for calculating lump sum benefits as the qualified plan.

Executive Share Options*

Under the 1994 US Stock Option Plan (which expired on 21 July 2004), options may be granted over shares at the prevailing market price and are exercisable between the third and tenth anniversary of grant, provided certain criteria have been met. Options granted prior to 22 July 1999 are exercisable if a performance target of improved earnings per share being 2% greater than the change in the RPI over a three-year consecutive period is met.

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

Position of the Company compared to FTSE Small Cap Companies in terms of TSR increase	**Percentage of Option which may be exercised**
Median	40%
Between 51st and 74th percentiles	Pro rata on a straight line basis between 42.4% and 97.6%
75th percentile and above	100%

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

	Year	Options as at 1 April 2007	**Options as at 31 March 2008**	**Exercise price £**	**Dates exercisable**
S D Lennon	1997	10,000	**–**	**1.955**	07.08.00 to 06.08.07
	1999	80,000	**80,000**	**1.71**	10.08.02 to 09.08.09
	2000	80,000	**80,000**	**1.39**	07.06.03 to 06.06.10
	2001	8,000	**8,000**	**0.945**	16.07.04 to 15.07.11
	2002	17,500	**17,500**	**0.49**	21.06.05 to 20.06.12
		195,500	**185,500**		

No options were exercised during the year. 10,000 options granted to Mr Lennon in 1997 lapsed during the year.

Executive Share Options (2004 Plan)*

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

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

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

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

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

Awards made under the 2004 Plan are as follows:

	Year	Options as at 1 April 2007	**Options as at 31 March 2008**	**Exercise price £**	**Dates exercisable**
C J O'Connor	2006	500,000	**500,000**	**0.2225**	01.09.09 to 31.08.16
	2007	–	**375,000**	**0.2925**	20.08.10 to 19.08.17
		500,000	**875,000**		
S D Lennon	2006	150,000	**150,000**	**0.2225**	01.09.09 to 31.08.16
	2007	–	**150,000**	**0.2925**	20.08.10 to 19.08.17
		150,000	**300,000**		
B T Tenner	2007	–	**250,000**	**0.2925**	20.08.10 to 19.08.17
		650,000	**1,425,000**		

Directors' Remuneration Report

Long Term Incentive Plan

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

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

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

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

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

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

	Year	Options as at 1 April 2007	**Options as at 31 March 2008**	**Exercise price £**	**Dates exercisable**
C J O'Connor	2006	500,000	**500,000**	**Nil**	01.09.09 to 31.08.16
	2007	–	**375,000**	**Nil**	20.08.10 to 19.08.17
		500,000	**875,000**		
S D Lennon	2004	150,000	**–**	**Nil**	16.08.07 to 15.08.14
	2006	250,000	**250,000**	**Nil**	01.09.09 to 31.08.16
	2007	–	**150,000**	**Nil**	20.08.10 to 19.08.17
		400,000	**400,000**		
B T Tenner	2007	–	**250,000**	**Nil**	20.08.10 to 19.08.17
		900,000	**1,525,000**		

No options were exercised during the year. 150,000 options granted to Mr Lennon in 2004 lapsed during the year as the performance criteria attached thereto had not been achieved at the relevant vesting date.

Sharesave*

The Scapa Group 2001 Sharesave Scheme and Scapa Group 1991 Sharesave Scheme are Inland Revenue approved Save-As-You-Earn share option schemes. Options have usually been offered annually, subject to approval by the Group Board, following the publication of the Company's preliminary results to eligible employees (including Executive Directors) in the United Kingdom who have worked a minimum six month qualifying period and agree to save a fixed amount for three or five years under an approved savings contract. Inland Revenue rules limit the maximum amount that can be saved by a participant to £250 per month. In normal circumstances options are exercisable for six months following the completion of a savings contract using the proceeds from that contract. The exercise price is based on the market value of the shares as of the date of grant, less a discount of 20%.

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

	Year	Options as at 1 April 2007	**Options as at 31 March 2008**	**Exercise price £**	**Dates exercisable**
C J O'Connor	2008	–	**39,024**	**0.246**	01.03.11 to 31.08.11

Non-Executive Directors' remuneration*

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

Non-Executive Directors' remuneration for the year to 31 March 2008 is set out in the following table:

	Total Fees £	
	2008	2007
J A S Wallace (appointed 30 August 2007)	**41,372**	–
R J Perry	**35,500**	33,667
M C Buzzacott (appointed 1 March 2008)	**2,500**	–
K G G Hopkins (retired 30 September 2007)	**40,000**	80,004
	119,372	113,671

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

Directors' interests

As of 31 March 2008 the Directors and their immediate families had the following beneficial interests in the Company's shares and options to subscribe for shares:

	31 March 2008				31 March 2007			
	Shares	**Executive share options**	**Performance Share Plan**	**SAYE share options**	Shares	Executive share options	Performance Share Plan	SAYE share options
C J O'Connor	**400,000**	**875,000**	**875,000**	**39,024**	100,000	500,000	500,000	–
S D Lennon	**150,900**	**485,500**	**400,000**	**–**	50,900	345,500	400,000	–
B T Tenner	**150,000**	**250,000**	**250,000**	**–**	–	–	–	–
J A S Wallace	**250,000**	**–**	**–**	**–**	–	–	–	–
R J Perry	**75,000**	**–**	**–**	**–**	25,000	–	–	–
M C Buzzacott	**50,000**	**–**	**–**	**–**	–	–	–	–
	1,075,900	**1,610,500**	**1,525,000**	**39,024**	175,900	845,500	900,000	–

From the end of the financial year until 29 May 2008 there have been no changes in the above interests.

The market price of the Company's shares at the end of the financial year was 27.0p and the range of market prices during the year was between 22.0p and 33.25p.

Individual Service Contracts

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

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

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

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

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

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

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

Directors' Remuneration Report

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

Pursuant to a letter dated 30 August 2007 issued by the Company, Mr Wallace was appointed a Non-Executive Director of the Company with effect from 30 August 2007 and became Chairman of the Company with effect from 1 October 2007. His appointment is for an initial term of three years. The unexpired term of the appointment is therefore two years and five months as of 31 March 2008.

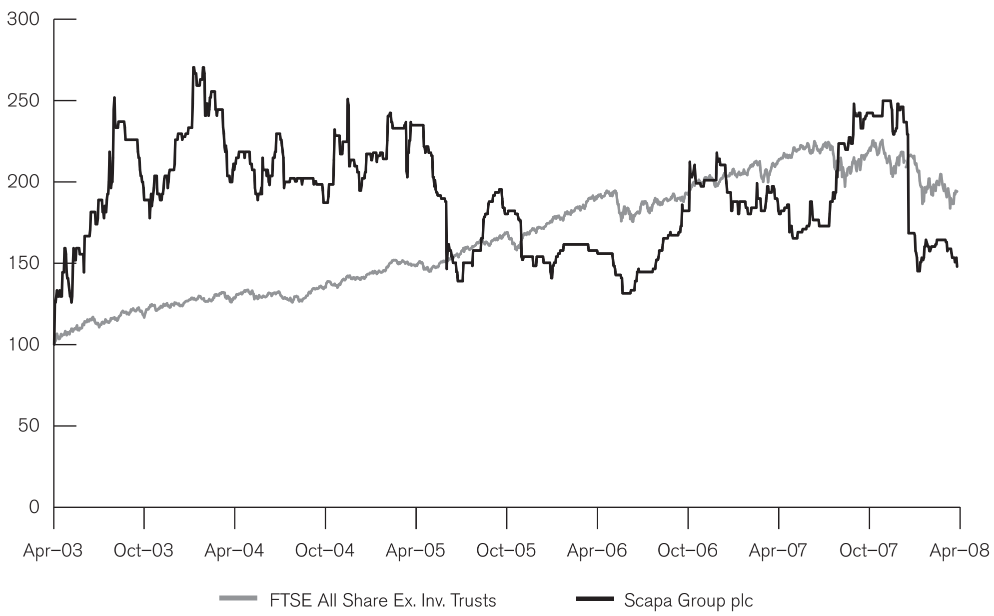
Pursuant to a letter dated 5 May 2005 Mr Perry was appointed a Non-Executive Director of the Company with effect from 2 June 2005. His appointment was for an initial term of three years. The unexpired term of the appointment is therefore two months as of 31 March 2008. The Board has subsequently resolved to renew Mr Perry's appointment for a further term of three years.

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

Performance Graph

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

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



Source Thomson Datastream

M C Buzzacott
Chairman, Remuneration Committee
29 May 2008

Corporate Governance

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

The Board

The Group is controlled through its Board of Directors. The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board, which meets at least six times a year, has a schedule of matters reserved for its approval. The full Board met six times during 2007/08 and each member attended all of the meetings during the term of his appointment.

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

The roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board and the Chief Executive is clearly defined. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is a Non-Executive Director and has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors, ensures Directors receive accurate, timely and clear information and facilitates effective communication with shareholders. Mr Wallace became Chairman on 1 October 2007 following the retirement of Dr Hopkins. The Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior Independent Director

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

Directors and Directors' independence

As at 31 March 2008 the Board comprised the Non-Executive Chairman, two independent Non-Executive Directors and three Executive Directors. The names of the Directors together with their biographical details and any other directorships are set out on page 8. All the Directors served throughout the period under review, except Mr Tenner who served from 14 June 2007, Mr Wallace who served from 30 August 2007 and Mr Buzzacott who served from 1 March 2008. The Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

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

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

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

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

Professional development

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

Corporate Governance

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

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

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

Re-election
Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, Non-Executive Directors are appointed for an initial period of three years. Before the third and sixth anniversary of the Non-Executive Director's appointment, the Director discusses with the Board whether it is appropriate for a further three-year term to be served. The reappointment of Directors who have served for more than nine years (if any) is subject to annual review. The Directors who are subject to re-election at the 2008 Annual General Meeting are listed in the Board of Directors paragraph in the Report of the Directors.

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

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

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

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

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

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

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

Internal control system

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

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

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

- review of potential risk areas and action plans to address these issues, as provided by senior management;
- the review of internal and external audit plans;
- the review of any significant issues arising from internal and external audits;
- annual compliance statements from each business region.

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

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

Control environment and risk assessment

The processes used to identify and manage the key risks to the success of the Group are an integral part of the internal control environment. Such processes include strategic planning, the appointment of senior managers and a clear organisational structure in which levels of authority and accountability are well defined, and regularly reviewed. There is a recognition of personal responsibility and accountability by members of the management teams of the individual operating units.

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

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

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

Information systems

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

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

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

Corporate Governance

Internal audit

The internal audit function has been outsourced to KPMG throughout the financial year. This provides a strong internal audit function to provide independent scrutiny of internal control systems and risk management procedures.

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

An audit programme is approved by the Audit Committee each year, and is targeted to focus on the most significant areas of risk exposure to ensure that key control objectives remain in place. The Group is currently recruiting a Risk and Controls Manager to bring further emphasis and value to these areas and internal audit itself.

Whistle-blowing policy

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

Nominations Committee

The Nominations Committee comprises Mr Wallace, Mr Perry and Mr Buzzacott. Dr Hopkins also sat on the Committee until he retired. Mr Wallace acts as Chairman of the Committee. The Nominations Committee met five times during the year. All members of the Committee attended each meeting held during the term of their respective appointments. When necessary, non-Committee members were also invited to attend. The Nominations Committee's terms of reference can be found on the Group's web site (www.scapa.com).

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

Remuneration Committee

During the year the Remuneration Committee comprised Dr Hopkins (until he retired), Mr Perry, and Mr Wallace and Mr Buzzacott following their appointments as Non-Executive Directors. Mr Wallace acted as Chairman of the Committee following the retirement of Dr Hopkins, and Mr Buzzacott has chaired the Committee from 1 March 2008. The Remuneration Committee met five times during the year. When necessary non-Committee members were also invited to attend. All members of the Remuneration Committee attended all of the meetings held during the terms of their respective appointments.

The Committee's principal responsibilities are:

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

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

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

Audit Committee

During the year the Audit Committee comprised Dr Hopkins (until he retired) and Mr Perry, along with Mr Wallace and Mr Buzzacott following their appointments as Non-Executive Directors. Mr Perry acted as Chairman of the Committee throughout the year. Mr Perry is Group Finance Director of Fenner plc, a listed company, and can therefore be considered to possess recent and relevant financial experience. The members of the Committee are the independent Non-Executive Directors.

The Audit Committee met three times during the year and all members attended each of the meetings held during their respective periods of appointment.

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

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

In 2008 the Audit Committee discharged its responsibilities by: reviewing the Group's draft annual financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon; reviewing the appropriateness of the Group's accounting policies; reviewing regularly the potential impact in the Group's financial statements of certain matters such as impairments of fixed asset values and proposed International Accounting Standards; reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditors; reviewing the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks on the accounts, confirmation of auditor independence and the proposed audit fee and approving the terms of engagement for the audit; reviewing reports on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and reviewing the internal audit function, provided by KPMG, terms of reference, its work programme and reports on its work during the year.

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

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

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

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

By order of the Board
M R Stirzaker
Company Secretary
29 May 2008

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the European Union, and with regard to the Parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

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

By order of the Board
M R Stirzaker
Company Secretary
29 May 2008

Independent Auditors' Report to the Members of Scapa Group plc

We have audited the Group financial statements of Scapa Group plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, the Group Accounting Policies and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Scapa Group plc for the year ended 31 March 2008, and on the information in the Directors' Remuneration Report that is described as being audited.

Respective responsibilities of Directors and Auditors

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

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
29 May 2008

Consolidated Income Statement

For the year ended 31 March 2008

All on continuing operations	note	**Year ended 31 March 2008 £m**	Year ended 31 March 2007 £m
Revenue	1	**170.1**	184.3
Operating profit	1, 3	**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, 11	**–**	(2.9)
– Other	4	**–**	0.1
Operating profit		**9.2**	15.7
Interest payable	7	**(0.1)**	(1.2)
Interest receivable	7	**0.7**	0.7
		0.6	(0.5)
Discount on provisions	7	**(0.4)**	(0.4)
IAS 19 finance costs	7	**(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	8	**(2.9)**	(2.6)
Exceptional tax credit	8	**–**	3.0
Taxation (charge)/credit	8	**(2.9)**	0.4
Profit for the year		**4.5**	13.3
Weighted average number of shares	22	**144.8**	144.8
Basic and diluted earnings per share (p)	9	**3.1**	9.2
Dividend per share (p)	10	**0.75**	–

Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2008

All on continuing operations	note	**Year ended 31 March 2008 £m**	Year ended 31 March 2007 £m
Retained profit for the year	23	**4.5**	13.3
Exchange differences on translating foreign operations	23	**4.5**	(5.2)
Actuarial gains	23	**12.7**	3.1
Deferred tax on actuarial gains	23	**(0.1)**	–
Total recognised income for the year		**21.6**	11.2

The notes on pages 29 to 58 form part of these accounts.

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

Consolidated Balance Sheet

As at 31 March 2008

	note	**31 March 2008 £m**	31 March 2007 £m
Assets			
Non-current assets			
Goodwill	11, 12	**9.7**	9.8
Property, plant and equipment	11, 13	**35.6**	33.5
Deferred tax asset	8	**5.8**	6.2
Other non-current asset investments	14	**5.0**	5.1
		56.1	54.6
Current assets			
Inventory	15	**22.2**	18.5
Trade and other receivables	16	**40.4**	38.6
Current tax asset		**0.7**	0.1
Cash and cash equivalents	17	**15.5**	12.5
		78.8	69.7
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	19	**(0.3)**	(0.8)
– Derivative financial instruments	19	**(0.3)**	(0.1)
Trade and other payables	18	**(32.3)**	(29.0)
Current tax liabilities		**(0.7)**	(0.1)
Provisions	20	**(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	19	**(0.4)**	(0.5)
Trade and other payables	18	**(2.3)**	(2.0)
Deferred tax liabilities	8	**(2.5)**	(0.9)
Non-current tax liabilities		**(2.5)**	(3.2)
Retirement benefit obligations	21	**(43.1)**	(58.3)
Provisions	20	**(8.1)**	(8.4)
		(58.9)	(73.3)
Net assets		**41.2**	19.4
Shareholders' equity			
Ordinary shares	22	**7.2**	7.2
Retained earnings	23	**31.2**	13.9
Translation reserve	23	**2.8**	(1.7)
Total shareholders' equity	23	**41.2**	19.4

The notes on pages 29 to 58 form part of these accounts.

These accounts were approved by the Directors on 29 May 2008.

C J O'Connor
Chief Executive Officer

Cal O'Connor

B T Tenner
Finance Director

Brian Tenner

Consolidated Cash Flow Statement

For the year ended 31 March 2008

All on continuing operations	note	**Year ended 31 March 2008 £m**	Year ended 31 March 2007 £m
Cash flows from operating activities			
Net cash flow from operations	24	**8.5**	6.9
Cash generated from operations before reorganisation and movements in exceptional provisions	24	**9.5**	9.1
Cash outflows from reorganisation and movements in exceptional provisions	24	**(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	17	**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	17	**15.3**	12.0

Group Accounting Policies

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 29 May 2008.

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

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

Early adoption of standards
The Group has not early adopted any standards.

New accounting standards and IFRIC interpretations
IFRS 7 became effective in the year. The main disclosures in relation to IFRS 7 can be found on page 34 for risk, and in notes 16 and 18 on pages 45 and 46 for the impact on trade receivables and payables.

IFRIC 8, 'Scope of IFRS 2', has been considered by the Group and existing accounting policy complies with its requirements.

IFRIC 10, 'Interim financial reporting and impairment' has been considered by the Group and does not have an impact on the financial statements.

The following standards, amendments and interpretations are mandatory, but not relevant to the Group's operations:

IFRS 4, Insurance contracts.

IFRIC 7, Applying the restatement approach under IAS 29.

IFRIC 9, Re-assessment of embedded derivatives.

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

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

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

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

Group Accounting Policies

Revenue recognition

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

(a) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, and when the Group entity has no continuing managerial involvement nor effective control over the goods. Hence sales are recognised at the point of despatch, when the Group entity has no continuing managerial involvement.

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

(b) Interest income

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

Leases

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

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

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

Government grants

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

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

Research and development expenditure

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

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

Exceptional items

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying net investment hedges.

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the translation reserve within shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

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

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each site (one level below a business segment).

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

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

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

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

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

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

Group Accounting Policies

Impairment of assets

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

Value in use is determined based on the estimated future cash inflows and outflows derived from the continued use of the asset and from its ultimate disposal. These cash flows are discounted using the Group's pre-tax weighted average cost of capital, adjusted to reflect any risks specific to the asset for which the estimated future cash flows have not already been adjusted.

Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These estimates are adjusted by a risk premium where appropriate to reflect their inherent uncertainty and potential to change materially over time.

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

Financial instruments

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

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

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Share capital
Ordinary shares are classified as equity.

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

Trade payables
Trade payables are recognised at their initial fair value.

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

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

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

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

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

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

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

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

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

Group Accounting Policies

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

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

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

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

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

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

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

Financial risk management

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

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

To manage its foreign exchange risk the Group uses foreign currency bank balances, and makes some use of foreign currency forward contracts.

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

At 31 March 2008, if the Canadian Dollar had closed 10% weaker/stronger against the US Dollar (with all other variables held constant), pre-tax profit would have been reduced/increased by £0.2m owing to the effects of forward contracts in place at the year end.

At 31 March 2008, if Sterling had closed 10% weaker/stronger against the Euro (with all other variables held constant), pre-tax profit would have been reduced/increased by £0.3m owing to the effects of forward contracts in place at the year end.

– Interest-rate risk

The Group has no significant exposure to interest-rate risk on borrowings following the repayment of long-term borrowings during the financial year ended 31 March 2007. Deposit risk is managed by spreading deposits across high credit rated institutions, and capping the maximum deposit with an institution at one time.

– Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In certain overseas markets the Group obtains third party credit insurance. This insurance currently covers 10% of total revenues. In addition, certain transactions are undertaken on the basis of Letters of Credit.

– Liquidity risk

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

Critical accounting estimates and judgements

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

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

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

1. Impairment of goodwill and property, plant and equipment – see note 11.
2. Calculation of provisions – see note 20.
3. Retirement benefit liabilities – see note 21.
4. Contingent liabilities – see note 26.
5. Taxation – see note 8.

Notes on the Accounts

1. Segmental reporting

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

The home country of the Company is the United Kingdom.

Segment results
The segment results for the year ended 31 March 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)	(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)

1. Segmental reporting continued

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

Notes on the Accounts

2. 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.)

3. Operating profit

The operating profit for the year comprises:

	2008 Pre Exceptional £m	**2008 Exceptional £m**	**2008 Total £m**	2007 Pre Exceptional £m	2007 Exceptional £m	2007 Total £m
Revenue	**170.1**	**–**	**170.1**	184.3	–	184.3
Change in stocks of finished goods and WIP	**0.7**	**–**	**0.7**	1.0	–	1.0
Raw materials and consumables	**(75.9)**	**–**	**(75.9)**	(84.2)	–	(84.2)
Other external charges	**(18.2)**	**–**	**(18.2)**	(20.8)	–	(20.8)
Directors and employees costs	**(46.9)**	**–**	**(46.9)**	(50.1)	–	(50.1)
Depreciation of tangible fixed assets						
– owned assets	**(4.2)**	**–**	**(4.2)**	(4.9)	–	(4.9)
– leased assets	**(0.1)**	**–**	**(0.1)**	(0.1)	–	(0.1)
Impairment of goodwill	**–**	**–**	**–**	–	(0.1)	(0.1)
Impairment of property, plant and equipment	**–**	**–**	**–**	–	(2.8)	(2.8)
Operating lease rentals						
– land and buildings	**(1.6)**	**–**	**(1.6)**	(1.8)	–	(1.8)
– plant, machinery and other	**(0.9)**	**–**	**(0.9)**	(1.3)	–	(1.3)
Auditors remuneration	**(0.2)**	**–**	**(0.2)**	(0.3)	–	(0.3)
Other fees paid to auditors	**(0.2)**	**–**	**(0.2)**	(0.2)	–	(0.2)
(Loss)/profit on business disposals	**–**	**(0.3)**	**(0.3)**	–	11.9	11.9
Profit/(loss) on sale of fixed assets	**–**	**–**	**–**	–	0.5	0.5
Repairs and maintenance costs	**(2.2)**	**–**	**(2.2)**	(2.6)	–	(2.6)
Research and development costs	**(3.1)**	**–**	**(3.1)**	(3.4)	–	(3.4)
Amortisation of government grants received	**0.1**	**–**	**0.1**	0.2	–	0.2
Other reorganisation costs and exceptional provision increases	**–**	**–**	**–**	–	(0.4)	(0.4)
Move in fair value of financial instruments	**(0.2)**	**–**	**(0.2)**	(0.2)	–	(0.2)
Other operating charges	**(7.7)**	**–**	**(7.7)**	(8.6)	(0.4)	(9.0)
Total operating profit	**9.5**	**(0.3)**	**9.2**	7.0	8.7	15.7

Other fees paid to auditors include £172,000 (2007: £176,000) tax compliance and advisory together with other consultancy fees of £76,000 (2007: £100,000).

The parent company audit fee was £83,600 (2007: £106,000).

The auditors are also the auditors of the UK pension schemes. They were paid a fee of £15,000 (2007: £15,000) for this audit.

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. Employee benefit expense

	2008 £m	2007 £m
Wages and salaries	**38.2**	39.6
Social security costs	**6.4**	6.5
Share options granted to directors and employees	**0.2**	0.1
Pension costs – defined contribution plans (note 21)	**2.0**	2.0
Pension costs – defined benefit plans (note 21)	**0.1**	1.9
	46.9	50.1
Reorganisation and termination costs	**–**	1.5
	46.9	51.6

Average employee numbers

	2008	2007
Europe	**817**	955
North America	**494**	487
Asia	**84**	84
	1,395	1,526

6. Related parties

Key management compensation

	2008 £m	2007 £m
Salaries and other short-term employee benefits	**1.0**	0.8
Termination benefits	**–**	0.1
	1.0	0.9

7. Net finance costs

	2008 £m	2007 £m
Interest payable on bank loans and overdrafts	**0.1**	1.2
Expected return on pension scheme assets less interest on scheme liabilities	**2.0**	1.9
Discount on provisions	**0.4**	0.4
	2.5	3.5
Interest receivable and similar income	**(0.7)**	(0.7)
Net finance costs	**1.8**	2.8

Notes on the Accounts

8. Taxation

Income tax expense	2008 £m	2007 £m
UK corporation tax:		
– current year	–	0.2
– prior year	–	–
Non-UK corporation tax:		
– current year	(0.7)	(0.8)
– prior year	(0.5)	0.5
	(1.2)	(0.1)
UK deferred tax:		
– current year	–	–
– exceptional UK deferred tax credit prior year	–	3.0
Non-UK deferred tax:		
– current year	(1.6)	(2.9)
– prior year	(0.1)	0.4
	(1.7)	0.5
Tax (charge)/credit for the year	(2.9)	0.4

The exceptional credit of £3.0m in the prior year arose due to the release of a provision which was no longer required.

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

	2008 £m	2007 £m
Profit before tax	7.4	12.9
Taxation charge at 30%	(2.2)	(3.9)
Adjustments for prior years	–	0.9
Tax losses utilised but not previously recognised	0.2	6.1
Tax losses not recognised in the year	(0.5)	–
Income not taxable and other deductions	1.9	4.8
Items not deductible for tax purposes and other taxable items	(1.5)	(6.6)
Effect of local tax rates being higher than expected tax rate	(0.8)	(0.9)
Tax (charge)/credit for the year	(2.9)	0.4

Deferred income tax

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

	2008 £m	2007 £m
Deferred tax assets:		
– loss arising on transfer of business	–	0.8
– litigation and other provisions	4.9	5.6
– tax effect of intangibles	0.9	–
– retirement benefit liabilities	1.2	0.9
	7.0	7.3
Deferred tax liabilities:		
– accelerated tax depreciation	(2.2)	(2.0)
– provision for potential tax liability	(1.5)	–
	(3.7)	(2.0)

8. Taxation continued

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

	2008 £m	2007 £m
Deferred tax assets as above:	**7.0**	7.3
– accelerated tax depreciation liabilities offset against same country assets	**(0.5)**	(1.0)
– other timing difference assets moved to offset against liabilities	**(0.7)**	(0.1)
Deferred tax asset on the Balance Sheet	**5.8**	6.2
Deferred tax liabilities as above:	**(3.7)**	(2.0)
– other timing difference assets offset against same country liabilities	**0.7**	0.1
– accelerated tax depreciation liabilities moved to offset against assets	**0.5**	1.0
Deferred tax liability on the Balance Sheet	**(2.5)**	(0.9)

Deferred tax assets amounting to £18.5m have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction. The assets consist of unrecognised tax losses (£4.1m), accelerated tax depreciation (£3.3m) and retirement benefit liabilities (£11.1m).

In the year ended 31 March 2007 deferred tax assets of £23.7m were not recognised. These comprised of unrecognised tax losses (£4.4m), accelerated tax depreciation (£2.5m) and retirement benefit liabilities (£16.8m).

No taxes have been provided for liabilities which may arise on the distribution of unremitted earnings of subsidiaries on the basis of control, except where distributions of such profits are planned. Cumulative unremitted earnings of overseas subsidiaries totalled approximately £30.2m at 31 March 2008. It is not practicable to calculate the tax which would arise on remittance of these amounts: it would be substantially lower than statutory rates after giving effect to foreign tax credits and UK tax losses.

The gross movement on the deferred income tax account is as follows:

	2008 £m	2007 £m
Beginning of the year	**5.3**	4.4
Income Statement charge	**(1.7)**	0.5
Exchange differences on translating foreign operations	**(0.2)**	(0.6)
Pensions movement to SORIE	**(0.1)**	–
Transfer from current tax liabilities	**–**	1.0
End of the year	**3.3**	5.3

Capital allowances in relation to industrial buildings will be withdrawn over 4 years from 1 April 2008. The unrecognised deferred tax asset in relation to these buildings was £0.3m at 31 March 2008 and will be withdrawn in line with the new legislation.

Notes on the Accounts

9. Earnings per share

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

	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

Diluted
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share has been calculated on share options in existence at 31 March 2008. The calculation does not move from an earnings per share of 3.1p.

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

10. Dividend per share

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Proposed dividend for the year ended 31 March 2008 of 0.75p per ordinary share	**1.1**	–

The proposed dividend for the year of 0.75p per ordinary share is subject to approval by the shareholders at the Group's Annual General Meeting and has not been included as a liability in these financial statements. If approved by shareholders, the dividend will be paid on 7 August 2008 to ordinary shareholders on the register at 27 June 2008.

11. 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.

12. Goodwill

	2008 £m	2007 £m
Cost		
1 April	**36.6**	40.0
Exchange differences	**(0.4)**	(3.4)
31 March	**36.2**	36.6
Accumulated amortisation and impairment		
1 April	**(26.8)**	(28.8)
Exchange differences	**0.3**	2.1
Impairment for the year	**–**	(0.1)
31 March	**(26.5)**	(26.8)
Net book value at 31 March	**9.7**	9.8

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the country of operation and acquisition. The only goodwill balance at 31 March 2008 and 2007 relates to the Acutek Medical operation, part of the North America business segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering the next 12 month period. Management forecast operating margin based on past performance and product mix projections. The weighted average growth rates used are based on management projections for the respective products and markets. Cash flows beyond the first year are extrapolated using the estimated long-term average growth rate for the relevant business segment (4.3%). Management does not believe that there are any assumptions used in the discounted future cash flow model for this operation where a reasonable change could cause the carrying value of the assets in the CGU to exceed the forecast future cash flows.

Notes on the Accounts

13. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 2006	18.5	7.8	77.9	4.2	15.4	1.8	125.6
Exchange differences	(1.4)	–	(3.1)	(0.2)	(0.2)	(0.1)	(5.0)
Additions	–	–	0.8	–	0.2	1.8	2.8
Disposals	(2.0)	–	(15.8)	(0.1)	(0.3)	–	(18.2)
Transfers	0.1	–	1.8	0.2	0.2	(2.3)	–
31 March and 1 April 2007	15.2	7.8	61.6	4.1	15.3	1.2	105.2
Exchange differences	2.3	–	5.6	0.5	0.2	0.1	8.7
Additions	0.3	–	1.1	–	0.1	2.2	3.7
Disposals	–	–	(0.9)	–	(0.2)	–	(1.1)
Transfers	–	–	1.7	0.1	0.1	(1.9)	–
31 March 2008	17.8	7.8	69.1	4.7	15.5	1.6	116.5
Accumulated depreciation							
1 April 2006	(4.9)	(3.2)	(54.9)	(3.1)	(12.6)	–	(78.7)
Exchange differences	0.3	–	2.0	0.2	0.2	–	2.7
Depreciation	(0.6)	(0.2)	(3.2)	(0.2)	(0.8)	–	(5.0)
Disposals	0.9	–	10.8	0.1	0.3	–	12.1
Impairment	(2.0)	–	(0.8)	–	–	–	(2.8)
31 March and 1 April 2007	(6.3)	(3.4)	(46.1)	(3.0)	(12.9)	–	(71.7)
Exchange differences	(0.7)	–	(4.7)	(0.4)	(0.2)	–	(6.0)
Depreciation	(0.4)	(0.2)	(2.5)	(0.2)	(1.0)	–	(4.3)
Disposals	–	–	0.9	–	0.2	–	1.1
31 March 2008	(7.4)	(3.6)	(52.4)	(3.6)	(13.9)	–	(80.9)
Carrying amount							
31 March 2008	**10.4**	**4.2**	**16.7**	**1.1**	**1.6**	**1.6**	**35.6**
31 March 2007	8.9	4.4	15.5	1.1	2.4	1.2	33.5

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

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

	2008 £m	2007 £m
Cost	**0.5**	0.5
Accumulated depreciation	**(0.2)**	(0.1)
Net book amount	**0.3**	0.4

14. Other non-current asset investments

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

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

This balance was previously disclosed under current asset investments.

15. Inventory

	2008 £m	2007 £m
Raw materials	**7.7**	5.9
Work in progress	**4.9**	4.0
Finished goods	**9.6**	8.6
	22.2	18.5

The cost of inventories recognised as an expense and included in the Income Statement amounted to £75.2m (2007: £83.2m).

16. Trade and other receivables

	2008 £m	2007 £m
Trade receivables	**37.1**	35.2
Less: provisions for impairment	**(0.5)**	(0.5)
Trade receivables – net	**36.6**	34.7
Other debtors	**3.2**	3.1
Prepayments and accrued income	**0.6**	0.8
	40.4	38.6

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

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

	2008 £m	2007 £m
Pounds Sterling	**5.6**	6.8
US Dollar	**9.2**	9.8
Euro	**22.4**	18.9
Other	**3.2**	3.1
	40.4	38.6

Management review individual receivables and provide for overdue amounts specifically.

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

	2008 £m	2007 £m
Opening provision at 1 April	**0.5**	0.4
Charge for the year	**0.2**	0.2
Disposal of business units	**–**	(0.1)
Receivables written off in the year	**(0.3)**	–
Currency movements	**0.1**	–
Closing provision at 31 March	**0.5**	0.5

The Group takes territorial credit risk insurance to cover receivables balances in certain emerging markets. At 31 March 2008 (subject to certain qualifications), the amount covered by such credit risk insurance was £5.9m.

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

	2008 £m	2007 £m
Less than one month	**1.2**	0.8
Between 1-3 months	**0.5**	0.4
Greater than 3 months	**0.3**	0.2
	2.0	1.4

Notes on the Accounts

16. Trade and other receivables continued

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

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

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

North America
The top five customers by balance at 31 March 2008 had a total receivable of £2.6m, versus their cumulative credit limit of £6.9m. Total sales to these customers in the year ended 31 March 2008 were £15.9m. The same customers at 31 March 2007 had a total receivable of £2.2m, versus their cumulative credit limit of £7.2m.

Europe
The top five customers by balance at 31 March 2008 had a total receivable of £4.8m, versus their cumulative credit limit of £6.5m. Total sales to these customers in the year ended 31 March 2008 were £12.1m. The same customers at 31 March 2007 had a total receivable of £3.6m, versus their cumulative credit limit of £5.0m.

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

17. Cash and cash equivalents

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

	2008 £m	2007 £m
Cash and cash equivalents	**15.5**	12.5
Bank overdrafts – note 19	**(0.2)**	(0.5)
	15.3	12.0

18. Trade and other payables

	2008 £m	2007 £m
Amounts due within one year:		
Trade payables	**21.5**	19.2
Other taxes and social security	**3.0**	2.6
Other creditors	**2.1**	1.9
Accruals and deferred income	**5.7**	5.3
	32.3	29.0
Amounts due after more than one year:		
Other creditors	**1.2**	0.8
Accruals and deferred income	**1.1**	1.2
	2.3	2.0

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

	2008 £m	2007 £m
Pounds Sterling	**8.9**	8.7
US Dollar	**5.6**	6.0
Euro	**17.4**	13.7
Other	**2.7**	2.6
	34.6	31.0

19. Borrowings

	2008 £m	2007 £m
Amounts due within one year:		
Bank overdrafts	**0.2**	0.5
Other loans	**0.1**	0.3
	0.3	0.8
Amounts due after more than one year:		
Finance lease creditor	**0.4**	0.4
Other loans	**–**	0.1
	0.4	0.5
Total borrowings	**0.7**	1.3

In March 2007 a new three year US$15.0m committed facility was executed between Bank of America NA and Scapa North America Inc. This facility is unsecured and there were no drawings under it as at 31 March 2008.

The Group also has in place a cross guarantee between the parent company and its UK subsidiaries in respect of UK overdraft facilities and other financial obligations, which amounted at 31 March 2008 to £2.0m.

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

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

	1-2 years £m	2-5 years £m	over 5 years £m	Total £m
31 March 2008				
Finance lease creditor	–	–	0.4	0.4
Other loans	–	–	–	–
	–	–	0.4	0.4
31 March 2007				
Finance lease creditor	–	–	0.4	0.4
Other loans	0.1	–	–	0.1
	0.1	–	0.4	0.5

The Group has one finance lease with a financial liability of £0.1m for the next four years, followed by peppercorn payments until maturity in 2015.

Notes on the Accounts

19. Borrowings continued

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

	Sterling	Euros	US and Canadian Dollars	Other currencies
31 March 2008				
Bank overdrafts	–	–	–	3.5%
Other loans	–	6.75%	–	–
31 March 2007				
Bank overdrafts	–	–	6.3%	4.0%
Other loans	5.5%	–	–	6.7%

All non-current borrowings are stated at fair value.

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

	2008 £m	2007 £m
Sterling	**–**	0.3
Euros	**0.4**	–
US and Canadian Dollars	**–**	0.3
Other currencies	**0.3**	0.7
	0.7	1.3

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

The Group has the following undrawn borrowing facilities:

	2008 £m	2007 £m
Floating rate		
– expiring within one year	**9.5**	10.1
– expiring after more than one year	**7.5**	7.7
	17.0	17.8

20. Provisions

	Asbestos litigation costs £m	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 1 April 2007	6.8	2.1	1.1	10.0
Exchange differences	(0.1)	0.1	–	
Released in the year	–	–	(0.1)	(0.1)
Unwinding of discount	0.3	0.1	–	0.4
Utilised in the year	(0.6)	(0.3)	(0.1)	(1.0)
At 31 March 2008	6.4	2.0	0.9	9.3
Analysis of provisions:				
Current	0.6	0.4	0.2	1.2
Non-current	5.8	1.6	0.7	8.1
	6.4	2.0	0.9	9.3

Asbestos litigation costs
Following the Group's divestiture of the Papermaking Products and Services business in the year ended 31 March 2000, provision was made for ongoing liabilities, which related to these businesses, but which were retained by Scapa. These relate primarily to the defence of personal injury claims as outlined in note 26. In conjunction with US Legal Counsel, the Board has reviewed and approved the assumptions underlying the provision for future litigation costs. In the prior year, following the three-year legal agreement on the apportionment of legal costs with the insurance carriers (reducing the Group's share), a release of £0.9m was made. This provision is being discounted in accordance with IAS 37 using an appropriate risk adjusted discount rate (4.4%). Whilst the Board believes that the assumptions made are reasonable, and the provision remains its best estimate of the total cost likely to be incurred, there remains, as is usual in these circumstances, substantial uncertainty.

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

Reorganisation and leasehold commitments
The £2.0m (2007: £2.1m) reorganisation provision relates mainly to onerous lease commitments (£0.8m) and dilapidations for leasehold property (£0.9m).

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

Environmental provisions
Other provisions relate to expected costs required to clean up environmental contamination of a number of sites in both Europe (£0.6m) and North America (£0.3m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next three years.

21. Retirement benefit liabilities

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

Defined contribution schemes
The Group operates a number of defined contribution schemes. Employer's contributions are charged to the Income Statement as incurred. The total pension cost for the Group in respect of these schemes for the year ended 31 March 2008 was £2.0m (2007: £2.0m).

Defined benefit schemes
The total amounts recognised in the Group financial statements for defined benefit schemes are summarised on page 52.

a) UK schemes
Prior to their closure to new members and future accrual, the UK defined benefit schemes were funded by contributions from members as defined in the scheme rules and by the employing company at a rate assessed by the scheme actuaries as sufficient to meet the balance of costs determined following the triennial fund reviews. All three UK defined benefit schemes are now closed to new members and to future accrual. The schemes are now therefore wholly funded by the employing company. The assets of the schemes are held separately from Company assets under Trust. The release to operating profit in the year for UK schemes was £0.5m (2007: charge of £1.3m), this relates to curtailments associated with the closure of the schemes.

Notes on the Accounts

21. Retirement benefit liabilities continued

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

Following the 2006 Triennial Review the Company agreed new additional cash contributions designed to repair the deficits as at 1 April 2006. The sums below include estimates of the annual costs of administration of the schemes. These contributions total £3.3m on an annualised basis, are subject to RPI indexation each year and are split as follows:

– £0.65m (£0.43m) per annum from August 2007 to September 2023 for the Scapa Group Retirement Benefits Scheme;
– £1.95m (£2.30m) per annum from August 2007 to September 2023 for the Scapa Group Senior Retirement Benefits Scheme;
– £0.65m (£0.65m) per annum from August 2007 to March 2022 for the Scapa Tapes UK Ltd. Pension Plan.

In addition, the Tapes Plan will receive an amount of £0.7m in each of the next two years with respect to a debt arising on the disposal of the Irish subsidiary in the prior year. The Group also pays the PPF levies and any excess administrative costs associated with each of the funds above, the payment in the current year being £0.3m (£0.3m).

Total annual cash contributions into the defined benefit schemes were £4.2m (2007: £4.7m).

The IAS 19 Retirement Benefits valuations have been updated by the scheme actuaries, in order to assess the liabilities of the schemes at 31 March 2008. Scheme assets are stated at their market value at 31 March 2008. The scheme funding position and Company contributions will be reviewed again as at 1 April 2009.

b) Overseas schemes

The Group operates a number of pension schemes in different countries, both of a defined benefit and defined contribution nature.
In addition, in certain countries, the Group must provide for various employee termination benefits. These are accounted for as if they were defined benefit pension schemes. The total defined benefit pension charge to operating profit for the Group in respect of overseas pension schemes for the year ended 31 March 2008 was £0.6m (2007: £0.7m).

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

North America

The Group operates a funded defined benefit scheme and two unfunded pension plans in North America. The valuations used for the IAS 19 Retirement Benefits disclosure have been based on the most recent actuarial valuations at 31 March 2007. Scheme assets are stated at their market value at 31 March 2008.

France and Italy

The Group operates an unfunded retirement benefit scheme in France, with payments made to employees on retirement, and an unfunded termination indemnity plan in Italy, with payments made to employees on retirement or termination of service.

The financial assumptions used to calculate scheme liabilities under IAS 19 are as follows:

	UK		**North America**		**France & Italy**	
	2008	2007	**2008**	2007	**2008**	2007
Discount rate	**6.2%**	5.3%	**6.0%–6.75%**	5.0%–6.0%	**5.4%–5.8%**	4.5%
Salary increase per annum	**–**	3.9%	**4.0%**	4.25%	**2.0%**	2.25%–3.0%
Price inflation per annum	**3.5%**	3.1%	**3.0%**	3.0%	**2.3%**	2.0%
Increase to pensions in payment	**2.6%–3.7%**	2.3%–3.5%	**–**	–	**–**	–
Increases to deferred pensions	**3.5%**	3.0%	**–**	–	**–**	–

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

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

21. Retirement benefit liabilities continued

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

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

	UK 2008
Age to which current non-pensioners are expected to live:	
– Men	86.7
– Women	89.6
Age to which current pensioners are expected to live:	
– Men	85.8
– Women	88.7

Actuarial assumption sensitivities

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

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

	UK Scheme 2008 £m
Rate of inflation	
Change in the year end liabilities from a 0.1% increase in the assumed rate of inflation	(1.0)
Change in the year end liabilities from a 0.1% decrease in the assumed rate of inflation	1.0
Discount rate	
Change in the year end liabilities from a 0.1% increase in the assumed rate of discount	1.7
Change in the year end liabilities from a 0.1% decrease in the assumed rate of discount	(1.7)

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

UK Schemes	**2008 Expected rate of return**	**2008 Value £m**	2007 Expected rate of return	2007 Value £m
Equities	**7.85%**	**33.2**	7.9%	42.0
Gilts/Bonds	**4.4%–6.2%**	**58.8**	4.5%–5.3%	49.9
Other	**5.0%**	**2.3**	3.8%–4.5%	0.1
Total market value of assets		**94.3**		92.0
Present value of scheme liabilities		**(134.0)**		(146.8)
Net deficit in the schemes		**(39.7)**		(54.8)

French and Italian Schemes	**2008 Expected rate of return**	**2008 Value £m**	2007 Expected rate of return	2007 Value £m
Total market value of assets	**–**	**–**	–	–
Present value of scheme liabilities		**(2.5)**		(2.3)
Net deficit in the schemes		**(2.5)**		(2.3)

Notes on the Accounts

21. Retirement benefit liabilities continued

North America Schemes	2008 Expected rate of return	2008 Value £m	2007 Expected rate of return	2007 Value £m
Equities	**9.0%**	**3.1**	9.0%	2.8
Bonds	**5.3%**	**2.5**	5.3%	1.9
Other	**4.4%**	**0.2**	3.8%	0.7
Total market value of assets		**5.8**		5.4
Present value of scheme liabilities		**(6.8)**		(6.6)
Net deficit in the schemes		**(1.0)**		(1.2)
Unrecognised past service cost		**0.1**		–
Net liability recognised in the Balance Sheet		**(0.9)**		(1.2)

The amounts recognised in the Income Statement are as follows:

	Europe		North America		Total	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Current service cost (included within staff costs)	**0.4**	(1.5)	**(0.5)**	(0.5)	**(0.1)**	(2.0)
Expected return on scheme assets	**5.7**	5.5	**0.4**	0.3	**6.1**	5.8
Interest on scheme liabilities	**(7.7)**	(7.4)	**(0.4)**	(0.3)	**(8.1)**	(7.7)
Total included within finance costs	**(2.0)**	(1.9)	**–**	–	**(2.0)**	(1.9)
Total expenses charged through Income Statement	**(1.6)**	(3.4)	**(0.5)**	(0.5)	**(2.1)**	(3.9)

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

	Europe		North America		Total	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Actual return less expected return on scheme assets	**(1.5)**	(2.2)	**(0.4)**	–	**(1.9)**	(2.2)
Experience gains/(losses) arising on scheme liabilities	**10.7**	(0.8)	**(0.3)**	0.1	**10.4**	(0.7)
Changes in assumptions underlying the present value of the scheme liabilities	**3.4**	6.0	**0.8**	–	**4.2**	6.0
Total amounts recognised in the Statement of Recognised Income and Expense	**12.6**	3.0	**0.1**	0.1	**12.7**	3.1

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	Europe		North America		Total	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Beginning of the year	**92.0**	89.8	**5.4**	5.3	**97.4**	95.1
Exchange differences	**–**	–	**–**	(0.8)	**–**	(0.8)
Expected return on scheme assets	**5.7**	5.5	**0.4**	0.3	**6.1**	5.8
Actual return less expected return on scheme assets	**(1.5)**	(2.2)	**(0.4)**	–	**(1.9)**	(2.2)
Contributions paid	**4.3**	5.1	**0.6**	0.6	**4.9**	5.7
Benefits paid	**(6.2)**	(6.3)	**(0.2)**	–	**(6.4)**	(6.3)
Member contributions	**–**	0.1	**–**	–	**–**	0.1
End of the year	**94.3**	92.0	**5.8**	5.4	**100.1**	97.4

21. Retirement benefit liabilities continued

Analysis of movement in scheme liabilities

	Europe		**North America**		**Total**	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Beginning of the year	**(149.1)**	(151.7)	**(6.6)**	(6.8)	**(155.7)**	(158.5)
Exchange differences	**(0.4)**	0.1	**–**	0.9	**(0.4)**	1.0
Current service cost (included within staff costs)	**0.4**	(1.5)	**(0.5)**	(0.5)	**(0.1)**	(2.0)
Interest on scheme liabilities	**(7.7)**	(7.4)	**(0.4)**	(0.3)	**(8.1)**	(7.7)
Experience gains/(losses) arising on scheme liabilities	**10.7**	(0.8)	**(0.3)**	0.1	**10.4**	(0.7)
Changes in assumptions underlying the present value of the scheme liabilities	**3.4**	6.0	**0.8**	–	**4.2**	6.0
Benefits paid	**6.2**	6.3	**0.2**	–	**6.4**	6.3
Member contributions	**–**	(0.1)	**–**	–	**–**	(0.1)
End of the year	**(136.5)**	(149.1)	**(6.8)**	(6.6)	**(143.3)**	(155.7)

Analysis of movement in Balance Sheet liability:

	Europe		**North America**		**Total**	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Beginning of the year	**(57.1)**	(61.9)	**(1.2)**	(1.5)	**(58.3)**	(63.4)
Exchange differences	**(0.4)**	0.1	**–**	0.1	**(0.4)**	0.2
Total expenses charged through the income statement	**(1.6)**	(3.4)	**(0.5)**	(0.5)	**(2.1)**	(3.9)
Total amounts recognised in the Statement of Recognised Income and Expense	**12.6**	3.0	**0.1**	0.1	**12.7**	3.1
Contributions paid	**4.3**	5.1	**0.6**	0.6	**4.9**	5.7
Net deficit in the schemes	**(42.2)**	(57.1)	**(1.0)**	(1.2)	**(43.2)**	(58.3)
Unrecognised past service cost	**–**	–	**0.1**	–	**0.1**	–
Net liability recognised in the Balance Sheet	**(42.2)**	(57.1)	**(0.9)**	(1.2)	**(43.1)**	(58.3)

Cumulative actuarial losses on pension schemes recognised in reserves total £10.8m (2007: £23.5m).

Detail of experience (losses) and gains

UK

	2008	2007	2006	2005	2004
Difference between expected and actual return on scheme assets:					
– Amount (£m)	**(1.5)**	(2.2)	10.7	2.0	5.8
– Percentage of scheme assets	**(1.6%)**	(2.4%)	11.9	2.7%	8.5%
Experience gains and (losses) arising on scheme liabilities					
– Amount (£m)	**10.6**	(0.8)	(1.6)	(3.0)	1.1
– Percentage of scheme liabilities	**7.9%**	(0.5%)	(1.1%)	(2.6%)	1.1%
Total amounts recognised in the Statement of Recognised Income and Expense					
– Amount (£m)	**12.5**	3.0	(19.2)	(7.2)	2.5
– Percentage of scheme liabilities	**9.3%**	2.0%	12.9%	(6.2%)	2.4%

Overseas

	2008	2007	2006	2005	2004
Difference between expected and actual return on scheme assets:					
– Amount (£m)	**(0.4)**	–	0.7	(0.2)	0.3
– Percentage of scheme assets	**(6.9%)**	–	13.2%	(5.9%)	10.7%
Experience (losses) and gains arising on scheme liabilities					
– Amount (£m)	**(0.2)**	0.1	0.8	0.2	0.3
– Percentage of scheme liabilities	**(2.2%)**	1.1%	8.4%	2.7%	4.5%
Total amounts recognised in the Statement of Recognised Income and Expense					
– Amount (£m)	**0.3**	0.1	(0.1)	(0.1)	0.1
– Percentage of scheme liabilities	**3.2%**	1.1%	(1.1%)	(1.4%)	1.5%

Notes on the Accounts

21. Retirement benefit liabilities continued

Total

	2008	2007	2006	2005	2004
Difference between expected and actual return on scheme assets:					
– Amount (£m)	**(1.9)**	(2.2)	11.4	1.8	6.1
– Percentage of scheme assets	**(1.9%)**	(2.4%)	12.0%	2.3%	8.5%
Experience (losses) and gains arising on scheme liabilities					
– Amount (£m)	**10.4**	(0.7)	(2.4)	(2.8)	1.4
– Percentage of scheme liabilities	**7.3%**	(0.4%)	(1.5%)	(2.3%)	1.3%
Total amounts recognised in the Statement of Recognised Income and Expense					
– Amount (£m)	**12.7**	3.1	(19.3)	(7.3)	2.6
– Percentage of scheme liabilities	**8.9%**	2.0%	(12.2%)	(5.9%)	2.3%

The above disclosures for the years ended 31 March 2004 and 2005 are stated under UK GAAP on an FRS 17 basis. All other years are stated under IFRS on an IAS 19 basis.

22. Share capital

	2008 £m	2007 £m
Authorised		
190,688,306 shares of 5p each	**9.5**	9.5
Allotted, issued and fully paid		
144,762,868 shares of 5p each	**7.2**	7.2

Potential issues of ordinary shares

Certain senior executives hold options to subscribe for shares in the Company at prices ranging from nil pence per share to 195.5 pence per share under the share options schemes approved by shareholders. The number of shares subject to options, the periods in which they were granted, and the periods in which they may be exercised are given below:

Scheme	**Year of grant**	**Average exercise price per share**	**Exercise period**	**Numbers 2008**	2007
Executive share option plan	1997–2002	49p–236p	up to 20 June 2012	**736,000**	1,708,500
Executive share option plan	2006	22.25p	up to 31 August 2016	**900,000**	900,000
Executive share option plan	2007	29.25p	up to 20 August 2017	**1,425,000**	–
Executive share option plan	2007	32.75p	up to 10 December 2017	**300,000**	–
US stock option plan	1997–2002	49p–195.5p	up to 20 June 2012	**869,500**	988,500
Performance share plan	2004	nil pence per share	up to 15 August 2014	**Nil**	650,000
Performance share plan	2006	nil pence per share	up to 31 August 2016	**1,050,000**	1,050,000
Performance share plan	2007	nil pence per share	up to 20 August 2018	**1,225,000**	–
Performance share plan	2007	nil pence per share	up to 10 December 2018	**50,000**	–
Sharesave option plan 3 year	2007	24.6p	up to 1 September 2011	**853,033**	–
Sharesave option plan 5 year	2007	24.6p	up to 1 September 2013	**932,860**	–
				8,341,393	5,297,000

The options issued in 2004 under the performance share plan lapsed on 16 August 2007 due to a failure to meet the performance criteria. No options were exercised in the period. All movements from 2007 are expired/lapsed options.

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

23. Reserves

	Share capital £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2006	7.2	3.6	(2.6)	8.2
Currency translation differences	–	(5.2)	–	(5.2)
Recycling of foreign exchange on disposal	–	(0.1)	–	(0.1)
Actuarial gain on pension schemes	–	–	3.1	3.1
Net (loss)/income recognised directly in equity	–	(5.3)	3.1	(2.2)
Profit for the year	–	–	13.3	13.3
Total recognised income for the year	–	(5.3)	16.4	11.1
Employee share option scheme – value of employee services	–	–	0.1	0.1
Balance at 31 March 2007	7.2	(1.7)	13.9	19.4

	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**

Notes on the Accounts

24. 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 trading 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**

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

Reconciliation of net cash flow to movement in net debt

	2008 £m	2007 £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

25. Commitments

Capital commitments
The Group had £0.7m contracted for at 31 March 2008 but not provided for in the accounts (2007: £0.3m).

At 31 March 2008 a total of £0.2m (2007: £0.2m) was authorised but not yet contracted.

All amounts relate to subsidiary undertakings.

Operating lease commitments
At 31 March 2008 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years.

Commitments under leases expiring:	**2008 Property £m**	**2008 Vehicles, plant and equipment £m**	2007 Property £m	2007 Vehicles, plant and equipment £m
Within one year	**–**	**0.1**	–	0.1
More than one year and less than five years	**2.4**	**2.8**	1.9	3.1
After five years	**11.3**	**–**	12.3	0.1
Total operating lease commitments	**13.7**	**2.9**	14.2	3.3

Notes on the Accounts

26. Contingent liabilities

In the United States various Group companies, together with numerous and diverse non Scapa Group parties, are named as defendants in claims in which damages are being sought for personal injury arising from alleged exposure to asbestos. As at 31 March 2008 18,360 (31 March 2007 19,313, 31 March 2006 32,607, 31 March 2005 33,878) plaintiffs have brought claims in 25 states (Georgia, Florida, Louisiana, Mississippi, North Carolina, South Carolina, Ohio, California, New Jersey, New York, Pennsylvania, Alabama, Arkansas, Illinois, Maryland, Washington, Delaware, Oklahoma, Virginia, Connecticut, Missouri, Texas, Massachusetts, Minnesota and Oregon). Scapa has continued to be dismissed from many cases during 2007/08.

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

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

In February 2005 an adverse judgement in the Bickham litigation totalling US$162,500 (£81,658) in respect of seven plaintiffs was entered in Washington Parish, Louisiana. Upon advice of counsel, the Board believes there are multiple grounds for appeal which should provide sufficient basis for the appellate court to reverse the judgement. The disruptive effect which Hurricane Katrina had in the State of Louisiana has included the judicial system and it is not yet known when it will be possible for the appeal to proceed. The Company believes, upon the advice of counsel, that sufficient legal error occurred before and during the trial to make it more likely than not that the judgement will not be upheld on appeal. The Company has retained as insurance coverage counsel, Mr Andrew Hill of the Blasingame, Burch, Garrard, Bryant & Ashley firm of Athens, Georgia, who advises that he believes there is sufficient liability insurance to satisfy the judgement in full if it is not reversed.

In October 2003, a US$3m (£1.5m) adverse judgement in the Saville litigation was entered in the Maryland State Court on the claims of a former paper mill employee. The Company successfully appealed the judgement and the case was remanded to the lower court for a retrial. The retrial took place in January 2008 and the jury returned an adverse verdict of US$1.7m (£0.85m). Counsel for Scapa have advised that they believe significant and material error was committed by the Court, so an appeal has been lodged with the Court of Appeals of Maryland. Mr Andrew Hill, the Company's retained insurance coverage counsel, has advised that he believes there is sufficient liability insurance to satisfy the judgement in full if it is not reversed.

In April 2007 a trial commenced before a jury in Middlesex County, New Jersey, of the claims of asbestos exposure brought by five former paper mill workers, two of whom are deceased. In June 2007, the jury returned a verdict in favour of Scapa in respect of two of the living plaintiffs and against Scapa in respect of the remaining three plaintiffs; US$250,000 (£125,628) for one of the deceased plaintiffs, US$73,050 (£36,708) for the other deceased plaintiff and US$500,000 (£251,256) for the third living plaintiff. Counsel for Scapa have advised that they believe significant and material error was committed by the Court, so an appeal has been lodged in the New Jersey Court of Appeals. It is not yet known when the appeal will be decided. Mr Andrew Hill, the Company's retained insurance coverage counsel, has advised that he believes there is sufficient liability insurance to satisfy the judgement in full if it is not reversed.

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

Five Year Summaries

On 1 April 2004 the Group adopted IFRS. Restatement of earlier years is not required under IFRS and accordingly the information presented below for periods ended prior to the transition date is as prepared under UK GAAP. The main adjustments that would be required to comply with IFRS would be the removal of goodwill amortisation and the timing of the recognition of dividend payments.

Five Year Financial Summary

	IFRS				UK GAAP
	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Group revenue	**170.1**	184.3	191.5	188.2	187.9
Group profits					
Profit before taxation and exceptional items	**7.7**	4.2	2.5	0.9	2.6
Exceptional items (operating charges)	**(0.3)**	8.7	(17.0)	(4.5)	(10.8)
Profit/(loss) before taxation	**7.4**	12.9	(14.5)	(3.6)	(8.2)
Taxation (charge)/credit	**(2.9)**	0.4	(0.8)	5.8	4.1
Profit/(loss) after taxation	**4.5**	13.3	(15.3)	2.2	(4.1)
Headline earnings/(loss) per share (p)	**3.3**	1.1	(0.1)	(0.1)	–
Net cash equivalents/(debt)	**14.8**	11.2	(13.2)	(15.2)	(13.7)
Shareholders' funds – equity	**41.2**	19.4	8.2	40.2	44.3

Comparative figures for 2004 are stated on a UK GAAP basis, including the adoption of FRS17. All other years are shown on an IFRS basis.

Exchange rates

	2008	2007	2006	2005	2004
US$					
– Closing	**1.99**	1.96	1.74	1.89	1.84
– Average	**2.00**	1.89	1.78	1.85	1.69
Canadian $					
– Closing	**2.04**	2.26	2.08	2.03	2.29
– Average	**2.08**	2.15	2.07	2.13	2.35
Euro					
– Closing	**1.25**	1.47	1.45	1.45	1.50
– Average	**1.42**	1.47	1.46	1.47	1.44

Principal Subsidiary Companies

As at 31 March 2008 the principal subsidiaries of the Company were:

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

Technical Tapes Companies

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

All the above are 100% owned.
All the shareholdings are ordinary shares.

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

Scapa Group plc
Parent Company Financial Statements

The separate financial statements of Scapa Group plc are presented on pages 63 to 72, as required by the Companies Act 1985 ('the Act'). The Group has elected not to adopt International Financial Reporting Standards in the individual company accounts for the Parent Company and subsidiary undertakings, and accordingly these financial statements have been prepared under UK accounting standards and in accordance with the Act. They are therefore presented separately to the Group consolidated financial statements which have been prepared under International Financial Reporting Standards.

Independent Auditors' Report to the Members of Scapa Group plc

We have audited the Parent Company financial statements of Scapa Group plc for the year ended 31 March 2008 which comprise the Company Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Scapa Group plc for the year ended 31 March 2008.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Parent Company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
29 May 2008

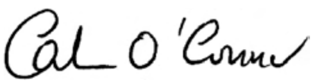
Company Balance Sheet
As at 31 March 2008

	note	**31 March 2008 £m**	31 March 2007 £m
Fixed assets			
Tangible fixed assets	3	**1.0**	1.3
Investments in subsidiary undertakings	4	**144.7**	144.6
		145.7	145.9
Current assets			
Debtors: amounts due within one year	5	**7.2**	9.2
Cash and cash equivalents		**3.5**	–
Debtors: amounts due after more than one year	5	**31.0**	54.1
		41.7	63.3
Creditors – amounts falling due within one year			
Bank loans and overdrafts	7	**–**	(4.8)
Creditors	6	**(17.4)**	(13.5)
		(17.4)	(18.3)
Net current assets		**24.3**	45.0
Total assets less current liabilities		**170.0**	190.9
Creditors – amounts falling due after more than one year			
Creditors	6	**(95.8)**	(111.4)
		(95.8)	(111.4)
Provisions for liabilities and charges	8	**(0.1)**	(0.2)
Net assets excluding pension liability		**74.1**	79.3
Net pension liability	11	**(21.7)**	(24.7)
Net assets		**52.4**	54.6
Shareholders' equity			
Called-up share capital	9	**7.2**	7.2
Other reserves	10	**10.1**	10.1
Profit and loss account	10	**35.1**	37.3
Shareholders' funds – equity		**52.4**	54.6

The notes on pages 65 to 72 form part of these accounts.

These accounts were approved by the Directors on 29 May 2008.

C J O'Connor
Chief Executive Officer



B T Tenner
Finance Director

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2008

	note	**Year ended 31 March 2008 £m**	Year ended 31 March 2007 £m
Retained loss for the period	1	**(3.4)**	(0.2)
Actuarial gain on pension schemes	11	**1.0**	2.5
Total recognised gain for the period		**(2.4)**	2.3

Statement of Accounting Policies

Basis of accounting
These financial statements have been prepared under the historical cost convention, as modified by revaluation of certain financial instruments in accordance with the Companies Act 1985 and applicable UK accounting standards.

A summary of the Company's principal accounting policies is set out below. These have been applied consistently throughout the year.

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

Taxation
The charge for taxation is based on the taxable profits and losses for the year and takes into account deferred taxation. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax assets are only recognised to the extent that their recoverability is regarded as more likely than not.

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

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

(i) Defined Benefit Pension Schemes
For defined benefit schemes, the cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time, are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The Balance Sheet includes the deficit in schemes taking assets at their year-end market values and liabilities at their actuarially calculated value discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

(ii) Defined Contribution Pension Schemes
Amounts charged in respect of defined contribution pension schemes represent contributions payable in the year.

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

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

Cash flow
No specific company cash flow is produced. The Group's cash flow is on page 28.

Related parties
Related party disclosures are made in the Group accounts under note 6.

Notes on the Accounts

1. Profit and loss account

The Company loss for the year, before charging dividends, is £3.4m (2007: £0.2m). As permitted by s.230(3) of the Companies Act 1985 a separate profit and loss account has not been presented.

2. Auditors' remuneration

For the year ended 31 March 2008

	2008 £m	2007 £m
Audit fees	**0.1**	0.1
Tax and consultancy fees	**0.2**	0.1
	0.3	0.2

3. Tangible fixed assets

	Plant, equipment fixtures and computer systems £m	**Assets in the course of construction £m**	**Total £m**
Cost			
At 1 April 2007	10.7	–	10.7
Additions	–	0.3	0.3
At 31 March 2008	10.7	0.3	11.0
Depreciation			
At 1 April 2007	9.4	–	9.4
Depreciation	0.6	–	0.6
At 31 March 2008	10.0	–	10.0
Net book value at 31 March 2008	**0.7**	**0.3**	**1.0**
Net book value at 31 March 2007	1.3	–	1.3

Notes on the Accounts

4. Investments

	Shares in Group undertakings £m
Cost	
At 1 April 2007	176.5
Other equity movements (see note 10)	0.1
At 31 March 2008	176.6
At 1 April 2007 and 31 March 2008	31.9
Net book value at 31 March 2008	**144.7**
Net book value at 31 March 2007	144.6

During the year ending 31 March 2008 the Company has performed an impairment review under FRS 11 'Impairment of fixed assets and goodwill'. This review has taken the future cash flows generated from its investments and discounted these to present value using the Company's discount rate of 12.5%. The cash flows have been generated from the most recent approved budgets, and these budgets have been forecasted out for five years using growth rates of between 0% to 4%. No growth is forecasted in the cash flows from years six to ten, and all the cash flows are subject to risk adjusting of between 10-20%. The review did not evidence that the carrying value of any investments are materially below or above the current level of impairment in the Balance Sheet. Therefore no further impairments or releases have taken place during the year.

The principal subsidiaries of the parent undertaking are shown on page 60.

5. Debtors

	2008 £m	2007 £m
Amounts due within one year:		
Amounts owed by subsidiary undertakings	**5.5**	4.4
Taxation	**1.0**	4.4
Other debtors	**0.6**	0.3
Prepayments and accrued income	**0.1**	0.1
Total amounts due within one year	**7.2**	9.2
Amounts due after more than one year:		
Amounts owed by subsidiary undertakings	**31.0**	54.1
Total amounts due after more than one year	**31.0**	54.1
Total debtors	**38.2**	63.3

6. Creditors

	2008 £m	2007 £m
Amounts due within one year:		
Amounts owed to subsidiary undertakings	**16.3**	12.2
Other creditors	**0.5**	0.7
Accruals and deferred income	**0.6**	0.6
Total amounts due within one year	**17.4**	13.5

	2008 £m	2007 £m
Amounts due after more than one year:		
Amounts owed to subsidiary undertakings	**95.8**	111.4
Total amounts due after more than one year	**95.8**	111.4

7. Financial instruments

Financial assets

Bank borrowings under the committed facility were fully paid down during the year, largely from proceeds of asset disposals, and there were no drawings under this line at 31 March 2008. The committed facility arranged by HSBC and Allied Irish Banks was cancelled in March 2007 and all security under that arrangement was released and all obligations cancelled.

The Company currently has no significant debt exposure to interest rate movements and the interest rate cap taken out in August 2004 was terminated in September 2006, for which consideration of US$0.2m (£0.1m) was received.

Financial liabilities

	2008 £m	2007 £m
Amounts due within one year		
Bank overdrafts	**–**	4.4
Other loans	**–**	0.4
Total borrowings	**–**	4.8

The Group has in place cross guarantees between the parent and its subsidiaries in respect of other financial obligations, which at 31 March 2008 amounted to £1.0m (2007: £1.6m).

The exposure of the Company to interest rate changes and the contractual repricing dates are as follows:

	6 months or less £m	6-12 months £m	1-5 years £m	Total £m
31 March 2008				
Total borrowings	–	–	–	–
	–	**–**	**–**	**–**
31 March 2007				
Total borrowings	4.8	–	–	4.8
	4.8	–	–	4.8

Notes on the Accounts

7. Financial instruments continued

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

	Sterling	US and Canadian Dollars	Other currencies
31 March 2008			
Bank overdrafts	–	–	–
Other loans	–	–	–
31 March 2007			
Bank overdrafts	4.3%	6.5%	2.8%
Other loans	5.5%	–	–

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

	2008 £m	2007 £m
Sterling	**–**	0.5
US and Canadian Dollars	**–**	0.3
Other Currencies	**–**	4.0
	–	4.8

The Company has the following undrawn borrowing facilities. A cross guarantee between the parent and its UK subsidiary exists for the amount of this facility.

	2008 £m	2007 £m
Floating rate		
– Expiring within one year	**2.0**	–
	2.0	–

Maturity of non-current financial assets

	1-2 years £m	More than 5 years £m	Total £m
31 March 2008			
Debtors	**0.1**	**30.9**	**31.0**
31 March 2007			
Debtors	–	54.1	54.1

Fair and book values of non-current financial assets
All non-current financial assets are stated at fair value.

8. Provisions

	Reorganisation provision £m
At 1 April 2007	0.2
Utilised in the year	(0.1)
At 31 March 2008	0.1
Analysis of provisions:	
Current	0.1
Total provisions	0.1

9. Share capital

	2008 £m	2007 £m
Authorised		
190,688,306 shares of 5p each	**9.5**	9.5
Allotted, issued and fully paid		
144,762,868 shares of 5p each	**7.2**	7.2

Share options

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

10. Reconciliation of shareholders' equity

	Share capital £m	Other reserves £m	Profit and Loss Account £m	Total £m
Balance at 1 April 2007	7.2	10.1	37.3	54.6
Loss for the period	–	–	(3.4)	(3.4)
Actuarial gain on pension schemes	–	–	1.0	1.0
Total recognised income for the year	–	–	(2.4)	(2.4)
Employee share option scheme				
– value of employee services	–	–	0.1	0.1
– value of subsidiary employee services	–	–	0.1	0.1
Balance at 31 March 2008	**7.2**	**10.1**	**35.1**	**52.4**

Notes on the Accounts

11. Pension schemes

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

UK Pension schemes

(a) Defined contribution scheme
The Company operates a defined contribution scheme in the UK. Employer's contributions are charged to the profit and loss account as incurred. The total pension cost for the Company in respect of this scheme for the year ended 31 March 2008 was £0.2m (2007: charge £0.1m).

(b) Defined benefit schemes
The UK defined benefit schemes are funded by contributions from members as defined in the scheme rules, and by the employing company at a rate assessed by the scheme actuary as sufficient to meet the balance of costs determined following the triennial fund reviews. The assets of the schemes are held separately from Company assets under Trust. The release to operating profit in the year was £0.1m (2007: charge £0.1m).

The FRS 17 'Retirement Benefits' valuations have been updated by the scheme actuaries, in order to assess the liabilities of the schemes at 31 March 2008. Scheme assets are stated at their market value at 31 March 2008.

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

	2008	2007	2006
Discount rate	**6.2%**	5.3%	5.0%
Salary increases per annum	**–**	3.9%	3.8%
Price inflation per annum	**3.5%**	3.1%	3.0%
Increases to pensions in payment	**3.0%–3.7%**	2.8%–3.5%	3.0%
Increases to deferred pensions	**3.5%**	3.0%	3.0%

The market value of assets in the schemes at the Balance Sheet date, and the expected rates of return and the present value of the scheme liabilities at each balance sheet date are as follows:

	At 31 March 2008		At 31 March 2007		At 31 March 2006	
	Expected rate of return	**Market value £m**	Expected rate of return	Market value £m	Expected rate of return	Market value £m
Equities	**7.85%**	**14.6**	7.9%	20.7	7.8%	21.6
Bonds	**6.20%**	**33.8**	5.3%	27.8	5.0%	26.3
Other	**4.4%–5.0%**	**1.2**	3.8%–4.5%	–	3.5%–4.4%	–
Total market value of assets		**49.6**		48.5		47.9
Present value of scheme liabilities		**(71.3)**		(73.2)		(76.9)
Net deficit in the schemes		**(21.7)**		(24.7)		(29.0)

A deferred tax asset of £6.1m (2007: £7.4m) has not been recognised because of the current loss making position of the Company.

11. Pension schemes continued

The following amounts have been recognised in the profit and loss account and Statement of Total Recognised Gains and Losses for the year ended 31 March 2008 in respect of the Company's defined benefit schemes:

	2008 £m	2007 £m
Profit and loss account		
– current service cost	**0.1**	(0.1)
Total release/(charge) to operating profit	**0.1**	(0.1)
Other finance costs		
– expected return on pension scheme	**3.0**	2.9
– interest on pension scheme liabilities	**(3.8)**	(3.8)
Net finance cost	**(0.8)**	(0.9)
Statement of Total Recognised Gains and Losses		
Actual return less expected return on scheme assets	**(1.3)**	(2.2)
Experience (losses)/gains arising on scheme liabilities	**(1.1)**	1.1
Changes in assumptions underlying the present value of scheme liabilities	**3.4**	3.6
Net actuarial gain recognised in the Statement of Total Recognised Gains and Losses	**1.0**	2.5
Movement in deficit before deferred tax during the year		
Net deficit in schemes at beginning of year	**(24.7)**	(29.0)
Movement in year:		
– current service cost	**0.1**	(0.1)
– contributions	**2.7**	2.8
– net finance cost	**(0.8)**	(0.9)
– actuarial gain	**1.0**	2.5
Net deficit in schemes at end of year	**(21.7)**	(24.7)

	2008	2007	2006	2005
Details of experience gains and (losses)				
Difference between the expected and actual return on scheme assets:				
– Amount (£m)	**(1.3)**	(2.2)	4.4	1.9
– Percentage of scheme assets	**(2.6%)**	(4.5%)	9.2%	4.6%
Experience gains/(losses) on scheme liabilities:				
– Amount (£m)	**(1.1)**	1.1	1.0	(2.8)
– Percentage of scheme liabilities	**(1.5%)**	1.5%	1.3%	(4.3%)
Total amount recognised in statement of total recognised gains and losses:				
– Amount (£m)	**1.0**	2.5	(7.1)	(5.6)
– Percentage of scheme liabilities	**1.4%**	3.4%	(9.2%)	(8.7%)

Notes on the Accounts

12. Employee benefit expense

	2008 £m	2007 £m
Wages and salaries	**1.2**	0.9
Social security costs	**0.2**	0.1
Share options granted to directors and employees	**0.1**	–
Pension costs – defined contribution plans	**0.1**	0.1
Pension costs – defined benefit plans	**(0.1)**	0.1
	1.5	1.2

	2008	2007
Average employee numbers	**9**	9

13. Dividend per share

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Proposed dividend for the year ended 31 March 2008 of 0.75p per ordinary share	**1.1**	–

The proposed dividend for the year of 0.75p per ordinary share is subject to approval by the shareholders at the Group's Annual General Meeting and has not been included as a liability in these financial statements. If approved by shareholders, the dividend will be paid on 7 August 2008 to ordinary shareholders on the register at 27 June 2008.

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