Whatman plc

Annual Report 2007

Registered number 00630958

Contents

Corporate profile

Whatman operations

Corporate head office and registered office
Springfield Mill, James Whatman Way, Maidstone, Kent, UK

Sales and marketing offices
Florham Park, New Jersey, USA (North America)
Hangzhou, China
Maidstone, UK (Europe)
Singapore (Asia Pacific)
Tokyo (Japan)

Principal manufacturing locations
Banbury, UK
Dassel, Germany
Hangzhou, China
Maidstone, UK
Sanford, Maine, USA

Whatman's distribution, sales and service organisation covers more than 70 countries worldwide

The Whatman Board

Mr Michael Harper
Chairman
Appointed Chairman 17 December 2007 Also Chairman of The Vitec Group plc and BBA Aviation plc He is also senior independent director of Catlin Group Limited and non-executive Director of Ricardo plc

Mr Kieran Murphy
Chief Executive Officer
Appointed CEO on 18 January 2007 Previously CEO of Innovata plc, a public company listed on the London Stock Exchange, CEO of Adprotech Limited, a privately owned UK biotech and CEO of Novartis Animal Vaccines An MSc with over 17 years in the life sciences sector

Dr Simon May
Deputy Chairman (and Non-Executive Director)
Also a member of the Investment Committee of ACTIV Investment Fund L P (until 31 March 2008) and a business consultant and author Previously Director of Business Development, Nortel Europe and founder of Mondiale Information Technology Associates

Dr Hinrich Kehler
Non-Executive Director
Also Chief Executive of ConCap GmbH and Chairman of W Reifferscheidt Verwaltungs GmbH Previously Chairman of Schleicher & Schuell GmbH, Chairman and Chief Executive Officer of Sebaldus Group, Chairman of ConCert GmbH, Dia Nielson MicroTech GmbH, Hahnemuhle FineArt GmbH and S&S Security Printing GmbH

Mr Jeffrey Hewitt
Non-Executive Director
Appointed 24 May 2007, also Chairman of Regenersis plc and a non-executive director of TDG plc and Cookson Group plc and is the External Chairman of the Audit Committee of the John Lewis Partnership He was previously Deputy Chairman and Group Finance Director of Electrocomponents plc and Group Finance Director of Unitech plc

Mr Alan Wood
Non-Executive Director
Also Chairman of Siemens Holdings plc and formerly the Chief Executive A Chartered Engineer with an MBA from Harvard and Chairman of the German-British Chamber of Industry & Commerce and a past Chairman of the CBI National Manufacturing Council Awarded the CBE in 2005

Professor Dr Hans Gunter Gassen
Non-Executive Director

Chairman of the Group's Scientific Advisory Board Also Chairman of Biochemistry at the Darmstadt University of Technology in Germany and is the coordinator for Biotechnology at the Hessian Technology Foundation He serves as an expert for many regulatory agencies in Germany and advises the German government on biotechnology and biochemistry matters

Mr Chris Rickard
Appointed on 4 June 2007 Previously held the position of Group Finance Director at VT Group plc, The Weir Group plc and Meggitt plc, all of which are FTSE 250 companies

Mr John Simmonds
Company Secretary

Highlights

Financial results

		Exchange rates	
	Actual	Constant	Actual
	2007	2006	2006
	£m	£m	£m
Sales	**115 5**	115 6	120 9
Underlying operating profit	**24 1**	26 8	27 8
Non-recurring items	**(12.9)**	8 1	8 0
Operating profit	**10 7**	34 4	35 3
Profit after tax	**6 3**	24 4	24 9
Cash generated from operations	**24 5**	n/a	23 2
Underlying basic earnings per share (pence per share)	**12 62p**	14 37p	14 75p
Basic earnings per share (pence per share)	**4 79p**	18 60p	19 03p
Order intake	**122 6**	115 5	119 0

Financial highlights

- Revenue[1] flat at £115 5 million (2006 £115 6 million)
- Order intake[1] £122 6 million (2006 £115 5 million)
- Order book[1] £15 9 million (2006 £11 0 million)
- Underlying operating profit[2] £24 1 million (2006 £26 8 million)
- Underlying effective tax rate[2] 28% (2006 28%)
- Underlying basic earnings per share[2,3] 12 62p (2006 14 37p)

Statutory results

- Revenue £115 5 million (2006 £120 9 million)
- Operating profit £10 7 million (2006 £35 3 million)
- Profit before tax £9 7 million (2006 £34 6 million)
- Profit after tax £6 3 million (2006 £24 9 million)
- Basic earnings per share 4 79p per share (2006 19 03p)

Operating highlights

- Recommended offer by GE Healthcare Life Sciences Limited announced on 4 February 2008, proceeding in line with our expectations
- Strategic review announced in September, on track
- Technology partnerships entered into with QIAGEN, g-Nostics and NovioGendix for personalised medical applications
- Joint Venture in China commenced trading on 2 July
- Launch of EasiCollect product for forensics and diagnostics markets

1 At constant exchange rates

2 Underlying operating profit is defined as operating profit from continuing operations before non-recurring items and the amortisation of intangibles The Board believes underlying operating profit provides additional useful information to shareholders on the Group's underlying business performance A reconciliation to the statutory reported operating profit is set out in note 4 to the financial statements The figures are stated at constant exchange rates

3 Underlying basic earnings per share is based on the underlying profit attributable to ordinary shareholders

Chairman's Statement

Introduction
I joined the Group as Chairman in December to assist the Board and the executive management team to implement the strategic review which was announced in September A fuller explanation of the strategic review is provided in the Business Review

On 4 February 2008, the Group announced that it had reached agreement on the terms of an acquisition by GE Healthcare Life Sciences Limited ("GEHL"), which has been unanimously recommended by the Board of Directors Shareholders will have already have received details of the proposed acquisition and, provided all the requisite shareholder and regulatory approvals are obtained, GEHL will acquire the Group as it enters a critical phase of its development The additional resources of GEHL will be of valuable support to the Group during this time

The Directors believe the recommended offer is in the best interests of the shareholders and all other stakeholders of the Group

Highlights
The strategic review announced in September 2007 is focused on achieving operational excellence, sustainable high single digit organic sales growth and increased investment in research and development in order to leverage existing assets and extend product uses and usage The manufacturing footprint realignment is designed to provide centres of excellence in core manufacturing areas of paper and membrane manufacture and allow the Group to expand into the fast growing markets in China and other parts of Asia

The gross cash costs of the strategic plan are expected to be in the order of £31 million, of which approximately £16 million will be recouped by asset sales, making the net cost of the plan approximately £15 million In addition, during the year non-recurring charges of £12 9 million (excluding £0 1 million of finance costs) were incurred, which are separate to the future costs of the strategic plan Further details of non-recurring items are provided in the Business Review

Our Chinese joint venture, Whatman-Xinhua Limited, commenced operations in July and is trading in line with expectations We have started construction work on the new manufacturing facility in China and have placed an order for a new 3,000 tonne capacity cellulose paper machine The new manufacturing facility will significantly increase our production capacity in China and is expected to be completed by the end of 2008

As well as the Chinese joint venture, two major technology partnerships were secured in 2007 that strengthen our reach into valuable diagnostic markets

A non-exclusive distribution partnership was announced in May with QIAGEN, the worldwide leading provider of sample and assay technologies for research in life sciences, applied testing and molecular diagnostics QIAGEN has acquired the right to market and sell existing Whatman FTA products as well as customised products for an initial fee, plus royalties on the sale of all products that incorporate the use of FTA

We also signed a partnership agreement with g-Nostics Ltd – a spinout from the University of Oxford – to combine our technologies to develop NicoTest, a personalised diagnostic to aid therapies aimed at stopping smoking Each company will pool their intellectual property (IP) to develop a personalised diagnostic test to determine the optimum dose of nicotine that is safe to use

We successfully completed the development of the FTA based buccal device, EasiCollect, which will enable easier collection of DNA from suspects The device is currently undergoing trials in the US forensic and diagnostics markets

Financial results
The statutory results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as explained in note 1 to the financial statements

	Revenue			Underlying operating profit			Operating profit	
	2007	2006*	2006	**2007**	2006*	2006	**2007**	2006
	£m	£m	£m	**£m**	£m	£m	**£m**	£m
H1	**53 7**	58 1	61 8	**10 1**	12 8	14 1	**4.5**	14 6
H2	**61 8**	57 5	59 1	**14 0**	14 0	13 7	**6.2**	20 7
Year	**115 5**	115 6	120 9	**24 1**	26 8	27 8	**10.7**	35 3

* At constant exchange rates

Group revenue of £115 5 million was flat compared to last year at constant exchange rates (2006 £115 6 million) Reported statutory revenue in 2006 was £120 9 million, the reduction of £5 3 million at constant exchange rates being principally due to the weakening of the US dollar against sterling during the year

Although sales were flat overall for the year, the implementation of our strategic review and the upgrades to our sales and marketing have delivered real improvements resulting in much stronger trading in the second half of the year Revenue was 7% higher in the second half compared to 2006, at constant exchange rates

Underlying operating profit for the year, stated before non-recurring items and amortisation, was £24 1 million (2006 £26 8 million, at constant exchange rates), a reduction of £2 7 million or 10% compared to 2006 This reduction was largely due to adverse manufacturing and supply chain issues The stronger trading in the second half of the year has led to an increase in underlying operating profit in the second half to £14 0 million (2006 £14 0 million, at constant exchange rates) The order book at the end of the year was 44% higher than at the end of 2006 (at constant exchange rates)

The statutory operating profit for the year was £10 7 million (2006 £35 3 million), which is stated after deducting non-recurring items of £12 9 million This compares to a profit and loss account credit of £8 0 million for non-recurring items in 2006 Further details of these items are provided in the Business Review

Operating cash flow remains strong at £24 5 million (2006 £23 2 million) and has benefited from favourable working capital movements in 2007

Dividend
The Board increased the interim dividend by 4% to 2 18 pence per share The terms of the offer from GEHL were made on the basis that no final dividend would be declared or paid

Board changes
The year has seen a number of changes to the Board of Directors Bob Thian, my predecessor as Chairman stepped down in December and the Board would like to record its thanks to him for his contribution during his five years with the Group

Earlier in the year, the Chief Executive Officer, Chief Operating Officer and Finance Director all left the Group and have been succeeded by Kieran Murphy (Chief Executive Officer) and Chris Rickard (Group Finance Director) Additionally, David Evans and Tom McNally resigned as Non-Executive Directors and we welcomed Jeffrey Hewitt as a Non-Executive Director I would like to thank those who have left the Group in the year for their service to the Group and wish those who have joined every success in their new roles

I would also like to thank the entire executive and non-executive team for their hard work during what has been a challenging year

Employees
2007 has been a year of considerable change and I would like to thank all of the Group's employees for their continuing efforts and achievements during the year I would also like to welcome all of the new employees who have joined us in China working for our joint venture

Outlook

The positive momentum which has been achieved in the second half of 2007 is encouraging, as is our strong closing order book going into 2008 and we enter the new year with much optimism

The Board has a high level of confidence in the strategic review and believes its objectives are robust The responsibility for the delivery of the plan is expected to pass to GEHL during 2008, assuming appropriate shareholder and court approvals, together with the necessary regulatory clearances are obtained There is no doubt that the resources and business process expertise of GEHL will be of considerable support to the management team in successfully enhancing the ability of the Group in providing high quality, high value products to the life sciences market

Michael Harper
Chairman
19 March 2008

Business Review

To the members of Whatman plc

We hope that as shareholders you will find this Business Review provides you with an informative and balanced assessment of the Whatman Group's position and prospects

In preparing this Business Review, the Directors have made statements in good faith based upon the information available to them up until the time of the approval of this report Both economic and business risk factors are inherently uncertain and can change, so forward-looking statements should be viewed with that in mind and treated with caution

This Business Review has been prepared for the entire Group and therefore gives greater emphasis to those matters which are significant to the Group as a whole

Highlights

In September we announced the completion of our strategic review, and the Board has approved a three phase strategic plan to improve the operational performance of the Group over a three year period The strategic review is discussed further below under Strategy

Our Chinese joint venture, Whatman-Xinhua Limited, started trading in July and we have commenced construction work on the new manufacturing facility in Tonglu, near Shanghai The new manufacturing facility, which will significantly increase our cellulose paper production capacity in China, is expected to be completed by the end of 2008

Whatman's proprietary FTA technology continues to provide a platform for future growth We signed a licensing deal with Qiagen in 2007 and secured two technology partnerships that strengthened our reach into valuable diagnostic markets We signed an agreement with g-Nostics which pools our FTA Technology with their DNA based algorithms to create a personalised diagnostic test to aid smoking cessation therapies Additionally, we have teamed up with NovioGendix to offer a self-test for cervical cancer that analyses proteins in the bloodstream to identify pre-symptomatic problems These partnerships show the importance of our FTA technology to the Group's future growth

Strategy

The strategic review comprises three distinct phases The first phase is designed to achieve operational excellence and cost reduction, including improving customer service and those manufacturing and supply chain processes and procedures where we have identified that improvements are required The second phase of the strategic review is to achieve sustainable organic sales growth and the third phase is to invest in research and development in order to leverage existing assets and extend product applications, usage and customer base

Operational excellence

The operational excellence phase began with the TOP Project (Transforming Operational Performance) and represents a strategy to stabilise our existing operations and improve our current profitability Its short-term objectives include the changing of our manufacturing footprint and supply chain policies so that we can eliminate the causes of backorders, enhance customer service and manage our inventory levels more effectively

Sustainable business growth

Phase two is intended to create sustainable high single digit top line revenue growth by strengthening our core products and by developing new applications for our existing products in the LabSciences and BioScience markets We also intend to exploit our new membrane assets, including the technologies' superior physical properties and wide range of high-value applications

Investment in R&D and licensing

The third phase focuses on investment in research and development and increased licensing activity to expand our portfolio of intellectual property The aim is to position ourselves in high-growth, high-margin markets for diagnostics and personalised medicine by leveraging our strength in surface modification, surface chemistries and separation and concentration techniques Our products are key components in diagnostic applications, such as oncology cell capture assays used in diagnosing cervical and bladder cancer

We expect our R&D spend will increase from 3% to 5% of sales by 2011 as we expand our relationship with leading diagnostic industry players and focus on new products and applications

Segment performance
The Group operates in three business segments, LabSciences, BioScience and MedTech The Group services these segments with manufacturing sites in North America, the UK and Germany Our own sales forces in North America, Europe, Asia and Japan are supplemented by our sales representatives and distributors in other geographical locations so that worldwide we cover more than 70 countries

The table below provides a segmental analysis of the revenue and underlying operating profit at constant exchange rates

	Revenue			Underlying operating profit			Operating profit	
	2007 £m	2006* £m	2006 £m	**2007 £m**	2006* £m	2006 £m	**2007 £m**	2006 £m
LabSciences	**68 1**	66 1	69 4	**19.2**	18 7	19 3	**12 4**	18 5
BioScience	**29 5**	30 4	31 5	**4.2**	5 7	5 9	**2 6**	14 2
MedTech	**17 9**	19 1	20 0	**0.7**	2 4	2 6	**(0 6)**	2 6
Unallocated	**-**	-	-	**-**	-	-	**(3 7)**	-
Total Group	**115 5**	115 6	120 9	**24 1**	26 8	27 8	**10 7**	35 3

* At constant exchange rates

In the commentary below, 2007 performance has been compared to 2006 at constant exchange rates to make the comparison more meaningful

LabSciences
LabSciences' revenues were £68 1 million (2006 £66 1 million), an increase of 3% compared to last year At the half year revenue was down 2% However, the order book at 31 December 2007 had increased 19%, with increases in all product areas compared to 31 December 2006

Year-on-year revenue growth was consistent across the entire range of LabSciences' products, which focus on the preparation of analytical samples The exception was membranes – where validation issues hampered our ability to fulfil some customer orders – and chromatography, which is a cyclical business

BioScience
Revenues in BioScience were down 3% compared to 2006 on a like for like basis, with a strong performance in the second half of the year having been 18% down at the half year point The first half reduction was due largely to the large orders executed in 2006 from the French Police and French Gendarmerie Nationale of FTA Cards for the collection and transportation of buccal cell samples for forensic investigations The sales in the first half of 2006 included a significant proportion of the French Police's requirements for 2007 and so the level of sales made in 2007 were reduced accordingly

The order book for FTA was up 300% at 31 December 2007 compared to 31 December 2006 Sales growth of almost 40% was also achieved in 903, the neo natal collection device in the USA and the order book for the 903 product at the year end was up 50% on prior year

Overall the order book for BioScience at the year end was up 45% compared to 31 December 2006

MedTech
Sales in the MedTech were down 6% compared to 2006, primarily due to phasing of orders of pleated encapsulated devices However, we entered 2008 with an order book 74% ahead of last year

Operations
Whatman is known throughout the world for its expertise in separations technology for analytical laboratories, bioscience and healthcare applications Our goal is to provide superior solutions that are reliable, trusted, innovative and internationally competitive

Following our strategic review we have identified areas, including customer service, manufacturing and supply chain, where our processes and procedures need to be improved The first phase of our strategic plan, to achieve operational excellence and cost reduction, is designed to address these areas and we are now taking action to stabilise operations and restore customer service levels

Our strategy is to streamline our manufacturing footprint to create centres of excellence in our core manufacturing areas of paper and membranes

Our warehousing and logistics operations will also be streamlined to match that of our manufacturing footprint This will reduce costs considerably as well as reducing the time spent getting product to the marketplace, and improving our customer service and on-time delivery performance

Our Chinese joint venture, Whatman-Xinhua Limited, with Hangzhou Xinhua Paper Industry Co Ltd , started trading on 2 July 2007 We have commissioned the manufacture of a new 3,000 tonne cellulose paper machine for delivery in late 2008 and have commenced construction work on our new manufacturing facility in Zhejiang Hangzhou Tonglu Together, these will significantly increase our production capacity in China and are both expected to be completed by the end of 2008 We refer to Whatman-Xinhua Limited as a joint venture which reflects the commercial business arrangement we have with our partner, however the company qualifies as a subsidiary under International Financial Reporting Standards and accordingly it is consolidated in our Group financial statements

As well as giving us a key manufacturing presence in the increasingly important Chinese market, this strategic partnership also benefits from the fact it was both a business that came as a going concern and a market-leading brand The local speaking sales team are an asset in the Chinese market, giving us the ability both to sell our existing Whatman products in China and to manufacture a lower cost range of paper products

In addition, we have commenced upgrading our sales and marketing efforts to improve our routes to market and our customer interface enabling us to strengthen our franchise in the LabSciences market

Financial review

Business performance

The three-phase strategic review in 2007 is designed to restore customer service performance to an acceptable level through operational stability, while building on a strong revenue base and strong financial position A number of short term objectives have been identified, including eliminating the causes of backorders and managing more effectively our inventory levels

The Company's strategic financial goals remain the targeting of enhanced sales and margin improvement as well as an increase in research and development expenditure to expand the product range and number of product applications

Set out below is a table which highlights the financial results for the year and sets out a reconciliation between operating profit and underlying operating profit Underlying operating profit is defined as operating profit from continuing operations before non-recurring items and the amortisation of intangibles Non-recurring items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them are highlighted to help provide a better indication of the Group's underlying business performance They include, but are not limited to, impairments of fixed assets, sales of fixed assets, restructuring costs, integration costs, provision for onerous contracts and stock write-offs

The figures presented for 2006 include those based on constant exchange rates to provide a like for like comparison with the 2007 results

		Exchange rates	
	Actual	Constant	Actual
	2007	2006	2006
	£m	£m	£m
Revenue	**115 5**	115 6	120 9
Underlying cost of sales	**(60 7)**	(58 3)	(61 3)
Underlying gross profit	**54 8**	57 3	59 6
Other operating income	**-**	0 7	0 7
Underlying operating expenditure	**(30 7)**	(31 2)	(32 5)
Underlying operating profit	**24 1**	26 8	27 8
Non-recurring items and amortisation			
Non-recurring items	**(12 9)**	8 1	8 0
Amortisation of intangibles	**(0 5)**	(0 5)	(0 5)
Operating profit	**10 7**	34 4	35 3

Revenue
Group revenue of £115 5 million was flat compared to last year at constant exchange rates (2006 £115 6 million) Reported statutory revenue in 2006 was £120 9 million, the reduction of £5 3 million at constant exchange rates is principally due to the weakening of the US dollar against sterling during the year

Although sales were flat overall for the year, the implementation of our strategic review and the upgrades to our sales and marketing have delivered real improvements resulting in much stronger trading in the second half of the year Revenue was 7% higher in the second half compared to 2006 Our order intake for the year (measured at constant exchange rates) was £122 6 million (2006 £115 5 million) a 6% increase At the year end our order book was up by 44% compared to December 2006

Gross profit
Statutory gross profit was £52 7 million (2006 £56 9 million) Underlying gross profit for the year was £54 8 million (2006 £57 3 million at constant exchange rates, £59 6 million at actual) We continued to experience manufacturing and supply chain issues during the year, which has led to adverse manufacturing variances reducing our gross margin, and we suffered from low productivity in the early part of the year due to low sales requirements We have placed a considerable management focus on addressing our manufacturing and supply chain issues

Operating expenditure and other operating income
Sales and marketing costs increased to £18 3 million (2006 £16 7 million at constant exchange rates, £17 5 million at actual) This reflects the upgrades we have made during the year to our sales and marketing efforts following our strategic review

Investment in research and development increased to £3 0 million (2006 £2 8 million at constant exchange rates, £2 9 million at actual), amounting to 3% of sales We expect to further invest in research and development in the next three years, so that by 2011 our research and development spend will amount to 5% of revenue

Administrative expenses increased to £20 7 million (2006 £10 6 million at constant exchange rates, £11 0 million at actual), the increase arising principally from non-recurring items Underlying administrative expenses, excluding non-recurring items, were £12 0 million (2006 £12 4 million)

Other operating income was £nil (2006 £0 7 million) In 2006 there were non-recurring items of £0 7 million

Operating profit
The statutory operating profit for the year was £10 7 million (2006 £35 3 million), which is stated after deducting non-recurring items Further details of non-recurring items are set out in note 4 to the financial statements The operating profit margin was 9 3% (2006 29 2%)

The underlying operating profit for the year, stated before non-recurring items and amortisation, was £24 1 million (2006 £26 8 million at constant exchange rates, £27 8 million at actual), a reduction of £2 7 million or 10% compared to last year The underlying operating margin was 20 9% (2006 23 2%) The reduction in underlying operating profit and underlying profit margin arose principally from reduced gross profit and margin in the year

Finance income and expense
Interest payable and similar charges in the year were £4 8 million (2006 £4 4 million) Interest payable on bank borrowings of £1 3 million (2006 £1 3 million) was covered 21 5 times (2006 20 0 times) by underlying operating profit

Interest receivable during the year was £3 8 million (2006 £3 7 million)

Income tax expense
Income tax expense for the year was £3 4 million (2006 £9 7 million) A reconciliation to the standard rate of tax in the UK of 30% is set out in note 11 in the notes to the financial statements The underlying effective tax rate for the Group, at constant exchange rates, was 28% (2006 28%) The effective tax rate was 35% (2006 28%) The effective rate has increased due to deferred tax losses of £0 9 million incurred from restructuring activities not being recognised

There is a deferred tax asset of £2 3 million (2006 £2 9 million) recoverable against future profits

Earnings per share
Basic earnings per share was 4 79 pence per share (2006 19 03 pence per share), a decrease of 75% Diluted earnings per share was 4 78 pence per share (2006 18 73 pence per share), a decrease of 74%

Underlying basic earnings per share, adjusted for non recurring items and amortisation, was 12 62 pence per share (2006 14 75 pence per share) and underlying diluted earnings per share was 12 59 pence per share (2006 14 52 pence per share)

Underlying basic earnings per share at constant exchange rates was 12 62 pence per share (2006 14 37 pence per share), a decrease of 12%

Dividend
The terms of the offer from GEHL were made on the basis that the Board did not declare or pay a final dividend

Key performance indicators
We measure the achievement of our objectives through the use of quantitative assessments and, where quantitative measures are less relevant through the use of qualitative assessments Following the strategic review, new quantitative and qualitative assessments have been established which are used by management to assess whether we have achieved our principal business objectives The principal key performance indicators ("KPI's") which we use are set out below

Key performance indicators	Note	2007	2006
Order intake (£ million)	(a)	**122 6**	115 5
Revenue (£ million)	(a)	**115 5**	115 6
Underlying operating margin (%)	(a),(b)	**20 9**	23 2
Underlying operating cash flow to underlying operating profit (%)		**122**	91
Working capital to sales (%)	(c)	**22**	24
Lost time accidents (number)		**24**	11
Lines on time complete (%)	(d)	**76**	n/a

Notes
(a) Figures stated at constant exchange rates
(b) Underlying operating margin represents underlying operating profit expressed as a percentage of revenue Underlying operating profit is defined as statutory operating profit from continuing operations before non-recurring items and the amortisation of intangibles The Group believes this to be a useful measure of underlying business performance
(c) Inventories, current trade and other receivables less current trade and other payables, expressed as a percentage of statutory revenue
(d) Lines on time complete has been established during the year It was not measured during the previous year and accordingly no comparative information is available

Further discussion of our financial KPI's is presented in the financial review

Lines on Time Complete ("LOTC") is our key customer service KPI that allows us to measure effectiveness in meeting customer requirements for on-time delivery Although there were two weeks in December where LOTC reached 90%, it was on average an unacceptably low 76% across the entire product range

The management team will be focusing on improving this important KPI in future, along with order intake, revenue and operating margin, operating cash flow to operating profit and working capital to sales

Cash flow
Cash and cash equivalents decreased by £5 4 million to £9 8 million at 31 December 2007

Cash inflow from operating activities was £24 5 million (2006 £23 2 million) This arose largely from the operating profit performance for the year together with the benefit of favourable working capital movements in the year As a percentage of underlying operating profit, underlying operating cash flow was 122% (2006 91%) The improvement was principally a result of favourable working capital movements Our working capital to sales ratio has improved to 22% (2006 24%)

Net cash used in investing activities was £4 1 million (2006 £3 8 million) This includes capital expenditure on property, plant and equipment of £3 4 million (2006 £5 9 million) and £0 8 million in 2007 from the cost of acquiring our 75% holding of Whatman-Xinhua Limited Further details of this acquisition are set out in note 6 to the financial statements

Net cash used in financing activities was £15 6 million (2006 £13 7 million), which in 2007 includes an outflow from the repayment of our existing borrowing facilities of £31 7 million and an initial drawdown of our new facility of £22 5 million

Treasury policy
The Group's overseas operations means its sterling profit and loss account and balance sheet can be affected by movements in exchange rates of a number of foreign currencies, particularly the US dollar, the Japanese yen and the euro

To manage these risks the Group's treasury operates on a centralised basis as a cost centre in line with policies set by the Directors and in accordance with the requirements of our borrowing facilities The primary objectives of the policies are to manage the effects associated with foreign exchange and interest rate movements, to ensure the availability of a prudent level of loan facilities on reasonable terms, and to provide cash management Financial derivatives are used only to reduce risk and speculation is not permitted

The Group's policy is that net transactional exposure is hedged each year by the use of forward currency contracts and options, whilst the Group's translation exposure is not hedged Interest rate movements are partially hedged by the use of interest rate swaps Further details of the Group's financial instruments are set out in note 28 to the accounts

In terms of foreign exchange translation exposure, foreign currency assets are partially hedged by matching them to foreign currency borrowings in Japanese yen and euros We do not hold any external US borrowings to hedge the assets of our US operations

Liquidity
During the year we have re-negotiated our banking facilities to facilitate our restructuring and share buy-back programmes The new facility has looser covenants and slightly better pricing and gives the Group a new five-year revolving credit facility of £80 million

At 31 December 2007 the Group's net debt position has reduced by £1 7 million to £13 2 million (2006 £14 9 million) and the Group had £57 0 million (2006 £15 6 million) of undrawn committed borrowing facilities The new facility has financial covenants that require the Group to maintain certain ratios calculated in accordance with the facility agreement as follows

	At 31 December 2007	Covenant at 31 December 2007
Net debt/EBITDA	0 5	Less than or equal to 3 5
Interest cover	21 5	Greater than or equal to 3 5
Debt Service cover	18 6	Greater than or equal to 2 0

As shown above, we are in compliance with these covenants at 31 December 2007

Changes in accounting policies
There have been no changes in accounting policies during the year As explained further in note 1 to the financial statements, the Group has adopted IFRS 7 ("Financial Instruments Disclosures") during the year The new standard revises disclosures required in respect of financial instruments and has no effect on the results or net assets of the Group

Subsequent events
Details of subsequent events are set out in the Report of the Directors

Corporate Social Responsibility

Social responsibility

We provide active support to the communities in which we operate, with particular involvement with schools and further education colleges This includes provision of work experience opportunities, encouragement of our employees to participate in governorships and sponsorship of local events

Employees

The Group promotes to its employees the need for the highest standards of integrity and ethics in business dealings, including compliance with all relevant legislation and codes of practice

Employees are regarded as the key to being able to translate policies and strategies into commercial success The Group is therefore committed to providing a working environment in which this process can flourish

Procedures have been established to ensure that all employees have the opportunity to understand and appreciate the Group's objectives, policies and strategies, and to ensure that all employees and applicants for employment receive fair treatment and equal opportunity without prejudice against age, disability or ethnic origin Employees who become disabled are retrained wherever possible and provided with opportunities for career development, including promotion wherever appropriate

The Group aims to create opportunity for participation and involvement, encourage the identification and development of skills, promote the use of initiative and stimulate personal advancement Reward systems recognise success at both the corporate and individual level The Group also takes steps to ensure that employees are aware of the financial and economic factors which affect the performance of the Group

Health and safety

The Group safeguards occupational health and hygiene by providing a safe working environment and complying with all relevant statutory obligations and codes of practice

Working methods and procedures are properly documented and appropriate risk assessment programmes conducted Specific responsibilities are assigned to designated employees and appropriate training provided for all employees The number of lost time accidents in the year was 24 (2006 11) During the year, additional safety procedures and training has been put in place in order to address some of the root causes of these lost time accidents Each lost time accident is investigated and corrective action taken where necessary

Environment

The Group is sensitive to the needs of the environment, not only in terms of compliance with relevant statutory regulations and codes of practice, but more generally in terms of the need to be efficient in the use of raw materials, energy and water and in reducing the production of waste

Procedures have been established for the regular monitoring and assessment of environmental impact, and targets set for improvements in performance The Chief Executive Officer has overall responsibility for environmental management including the identification and assessment of significant risks and compliance with all statutory obligations, and provides appropriate reports to the Board of Directors

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results In the short term the principal uncertainty is in respect of the recommended acquisition by GEHL which is subject to shareholder, court and regulatory approvals

- **Competitor risk**

We are a leading global brand, with key strengths in all our business lines – LabSciences, BioScience and MedTech Nevertheless, we do operate in competitive markets and there is a risk that our competitors could launch new products in our markets which may render our products out-of-date and could result in a loss of market share We reduce this risk by forming strong relationships with our customers to understand their specific needs in order to ensure that our products meet our customers' current and future requirements The Chairman of the Group's Scientific Advisory Board, Professor Dr Gunter Gassen, is a member of the main Board which ensures the Board is kept fully briefed of technology developments which could be disruptive to our business

Where we operate in price sensitive markets that could lead to downward pressure on our margins, we monitor market pricing continuously in order to ensure that our prices represent value for money against our competitors' products

- **Commercial relationships**

A significant proportion of our sales, particularly in LabSciences, are conducted through distributors with whom we have developed close ties and strong long standing relationships Damage to these relationships could have a detrimental effect on the Group's results

Some of our niche products rely on raw materials that are only sourced from a single supplier The loss of this supplier would at the very least momentarily disrupt the production of these products

- **Emerging markets**

Our joint venture, Whatman Hangzhou Limited, gives us access to an exciting high-growth market in China It also provides a gateway to the important expanding Asian marketplace Whilst this venture provides us with significant opportunities for growth in the future, there are a number of risks associated with the venture The financial results of the venture are dependent on our ability to successfully transfer some production to our new manufacturing capacity in China, to deliver our planned revenue growth from the emerging Asian markets and to deliver cost efficiencies We will continue to mitigate against ongoing risks by closely monitoring the development of the manufacturing site and revenue growth against our plans and forecasts

- **Regulatory risk**

We are subject to numerous laws and regulations that impose strict requirements for the control and abatement of air, water and soil pollutants and the manufacturing, storage, handling and disposal of hazardous substances and waste We believe we are in substantial compliance with all applicable environmental requirements We continue to invest in maintaining facilities that enable our compliance with these regulatory requirements However, as regulatory standards under environmental laws and regulations have become increasingly stringent, there can be no assurance that future developments will not cause us to incur material environmental liabilities or costs

We are also subject to the risk of changes in tax legislation, and following the consultation documents issued by HM Revenue and Customs during 2007, there is a risk that the Group's effective tax rate may increase in future periods

- **Manufacturing**

As part of our strategy our existing manufacturing footprint is being streamlined to create centres of excellence in papermaking, paper conversion and membrane manufacture and we are constructing a new manufacturing facility in China There are risks associated with the successful implementation of these plans, as any manufacturing delays or disruption could affect our customer service levels and our revenues The costs of delivering the plans could also be higher than we expect

We are mitigating these risks through detailed assessments as part of our strategic review We have strengthened our management team in order to successfully assess and deliver the plans, and we have appointed external consultants to assist us in this process Risk assessments are being carried out and appropriate safeguards are being embedded in the plans Should the proposed acquisition by GEHL not proceed to completion, there is a risk that the timing and quantum of the costs and benefits of the plan may be different from that originally envisaged

In addition our manufacturing facilities could be disrupted for reasons beyond our control such as fire or explosion The Group prepares recovery plans for the most likely situations The Group also insures against such risks

- **Intellectual property**

We maintain a significant number of patents to support our business and to protect our competitive advantage We always seek to protect any new intellectual property through patent or copyright There is a risk that our intellectual property could be infringed by competitors' products which could lead to a loss of our market share We monitor the market closely to ensure that we identify any breaches of our patents and, if required, take the appropriate legal action

We continue to encourage our staff to be innovative in their development of new products and new manufacturing techniques However, such innovation can lead to a degree of "know-how" being retained with specific individuals We ensure that knowledge and expertise is shared within the Group by training staff and by succession planning

- **Foreign exchange**

The Group's overseas operations means its sterling profit and loss account and balance sheet can be affected by movements in exchange rates of a number of foreign currencies, particularly the US dollar, Japanese yen and the euro The strength of sterling against the US dollar had an impact this year, although the strengthening of both the euro and the dollar towards the end of 2007 reduced the impact of this exposure

We mitigate certain risks of movements in foreign currency through the Group's treasury policy which is described in further detail above

Other matters

This Business Review has been prepared for and only for the members of the Company as a body and no other persons Its sole purpose is to assist shareholders to assess the Company's strategies and the potential for those strategies to succeed The Company, its Directors, employees, agents or advisers do not accept or assume responsibility for any other purpose or to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed

This Business Review contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances in the countries, sectors and markets in which the Group operates These and other factors could adversely affect the outcome and financial effects of the plans and events described Forward-looking statements by their nature involve a number of risks, uncertainties and assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward-looking statements

It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of such variables No assurances can be given that the forward-looking statements in this Business Review will be realised The forward-looking statements reflect the knowledge and information available at the date of preparation and will not be updated during the year but will be considered in the Business Review for next year This Business Review has not been audited or otherwise independently verified

Kieran Murphy
Chief Executive Officer

Chris Rickard
Finance Director

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2007

Details of profits and dividends are included in the Business Review

Principal activities
The principal activities of the Group continue to be the development, manufacture and marketing of filtration and separations products These are used by laboratories for industrial, healthcare and environmental applications

Business Review
As required by the Companies Act 1985, the Company must provide a fair review of the development and performance of the Group during 2007, its financial position at the end of the year and likely future developments in the Group's business, together with information on environmental matters and employees and a description of the principal risks and uncertainties facing the Group The information which satisfies these requirements, to the extent that it is not included in this report, is to be found in the Business Review on pages 7 to 15, which is incorporated in this report by reference

Post balance sheet events
On 4 February 2008 the Group announced that it had reached agreement on the terms of a recommended acquisition of the Group by GE Healthcare Life Sciences Limited ("GEHL"), a wholly owned subsidiary of General Electric Company, a company incorporated in the United States of America Under the terms of the transaction, each Whatman shareholder will receive 270 pence in cash for each Whatman share The proposed acquisition is subject to regulatory approval and approval by the Group's shareholders and it is intended that it will be implemented by way of a scheme of arrangement under English law A circular was dispatched to shareholders on 19 February 2008 setting out the full terms and conditions of the scheme of arrangement, an explanatory statement, together with action to be taken by the shareholders Subject to the satisfaction or waiver of the conditions of the scheme, it is currently expected that the scheme will become effective on 25 April 2008

Directors
The Directors of the Company during the year, and up to the date of the approval of the financial statements, were

Executive	Non-Executive
Mr Ian Bonnar (resigned 29 May 2007)	Mr David Evans (resigned 24 May 2007)
Mr Bill Emhiser (resigned 17 January 2007)	Prof Dr Hans Gunter Gassen
Mr Phil Greenhalgh (resigned 29 May 2007)	Mr Michael Harper (appointed 17 December 2007)
Mr Kieran Murphy (appointed 18 January 2007)	Mr Jeffrey Hewitt (appointed 24 May 2007)
Mr Chris Rickard (appointed 4 June 2007)	Dr Hinrich Kehler
	Dr Simon May
	Mr Tom McNally (resigned 24 May 2007)
	Mr Bob Thian (resigned 17 December 2007)
	Mr Alan Wood

Biographical details of the Directors are given on pages 1 and 2

Mr Thian maintained direct involvement in investor relations, in addition to his Chairmanship of the Board, until his resignation as a Director and Chairman on 17 December 2007

At no time during the year has any Director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business (other than agreements for the payment of Directors' fees details of which are included in the Report of the Remuneration Committee)

Mr Jeffrey Hewitt who was appointed Director on 24 May 2007, Mr Chris Rickard who was appointed on 4 June 2007 and Mr Michael Harper who was appointed on 17 December 2007, being eligible, offer themselves for re-election at the Annual General Meeting Mr Simon May retires by rotation, but, being eligible, each offers himself for re-election

The beneficial interests of Directors in the shares of the Company and details of service contracts are shown in the Report of the Remuneration Committee

Substantial shareholdings

The Company has been advised within the provisions of sections 198 to 208 of the Companies Act 1985 of the following substantial shareholdings -

	Shares held as at 31 December 2007	Shares held as at 29 February 2008	% of issued share capital
Hermes Pensions Management Ltd	20,173,844	19,173,844	14 47
GE Healthcare Life Sciences Limited	-	15,000,000	11 32
UBS Investment Bank	-	8,843,178	6 67
F&C Asset Management	6,170,969	6,170,969	4 66
Legal and General Investment Management Ltd	6,138,001	6,160,801	4 65
Lehman Brothers	-	5,614,124	4 24
M&G Investment Management	6,291,710	5,547,201	4 19
Standard Life Investments	3,859,755	5,427,372	4 10
J O Hambro Capital Management Limited North Atlantic Smaller Companies Investment Trust plc Onyx International Growth Fund Limited	5,659,270	4,647,500	3 51
Impax Asset Management	4,155,233	4,460,223	3 37
Morley Fund Management	4,328,425	4,266,748	3 22
Schroder Investment Management	15,563,892	-	-

The Directors are not aware of any other interest of 3% or more in the shares of the Company which is required to be disclosed

Dividends

An interim dividend of 2 18p per share (2006 2 10p per share) was paid on 26 October 2007 to shareholders on the register at 28 September 2007 The terms of the offer from GEHL were made on the basis that no final dividend would be declared or paid

Issue of shares

During the year the Company issued 690,257 shares for a total cash consideration of £1 1 million to Directors and employees exercising share options under the Company's Share Option Schemes

Donations

During 2007, no donations were made to charities or political parties (2006 £nil)

Authorities relating to share capital

At the previous Annual General Meeting of the Company the Directors were given authority, within defined limits, to allot shares pursuant to sections 89 and 95 of the Companies Act 1985 otherwise than to existing shareholders in proportion to their existing holdings Renewal of this authority will be sought from shareholders at the forthcoming Annual General Meeting

At the previous Annual General Meeting, the Company was given authority, within defined limits, to purchase its own shares Although no such purchases have been made during the year ended 31 December 2007, the pre-conditions required to commence the share buy-back programme have been met A renewal of the authority will be sought from shareholders at the forthcoming Annual General Meeting in order to enable the share buy-back programme to take place should the proposed acquisition of the Company by GEHL not proceed

Takeover Directive disclosures

The Company has one class of share capital, its ordinary shares which all rank pari passu At 31 December 2007 there were no restrictions on the transfer or voting rights of the Company's shares, nor were there any other special rights granted to any person holding shares Details of significant shareholders and authorities granted to Directors in respect of the issue of shares are set out above The rules governing the appointment and replacement of Directors and changes to the Articles of Association accord with usual English company law provisions The Group has in place contracts with certain Directors which, under certain circumstances provide for cash payments to be made upon a change of control of the Company Further details of these arrangements are set out in the Report of the Remuneration Committee on pages 20 to 26

Operating policies
The following are summaries of the Group's policies on a number of important operational issues

Human resources
The Group promotes to its employees the need for the highest standards of integrity and ethics in business dealings, including compliance with all relevant legislation and codes of practice

Employees are regarded as the key to being able to translate policies and strategies into commercial success The Group is therefore committed to providing a working environment in which this process can flourish

Procedures have been established to ensure that all employees have the opportunity to understand and appreciate the Group's objectives, policies and strategies, and to ensure that all employees and applicants for employment receive fair treatment and equal opportunity without prejudice against age, disability or ethnic origin Employees who become disabled are retrained wherever possible and provided with opportunities for career development, including promotion wherever appropriate

The Group aims to create opportunity for participation and involvement, encourage the identification and development of skills, promote the use of initiative and stimulate personal advancement Reward systems recognise success at both the corporate and individual level The Group also takes steps to ensure that employees are aware of the financial and economic factors which affect the performance of the Group

Health and safety
The Group safeguards occupational health and hygiene by providing a safe working environment and complying with all relevant statutory obligations and codes of practice

Working methods and procedures are properly documented and appropriate risk assessment programmes conducted Specific responsibilities are assigned to designated employees and appropriate training provided for all employees

Social responsibility
The Group provides active support to the communities in which it operates, with particular involvement with schools and further education colleges, including provision of work experience opportunities, encouragement of Group employees to participate in governorships and sponsorship of local events

Environment
The Group is sensitive to the needs of the environment, not only in terms of compliance with relevant statutory regulations and codes of practice, but more generally in terms of the need to be efficient in the use of raw materials, energy and water and in reducing the production of waste

Procedures have been established for the regular monitoring and assessment of environmental impact, and targets set for improvements in performance The Chief Executive Officer has overall responsibility for environmental management including the identification and assessment of significant risks and compliance with all statutory obligations, and provides appropriate reports to the Group's Board of Directors

Research and development
Research and development costs incurred during the year are disclosed in the income statement These principally relate to the costs of product and process development

Quality
The Group is committed to maintaining its long-established reputation as a developer, manufacturer and supplier of quality filtration and separations products All employees are encouraged to regard the continuous improvement of quality standards as a personal objective and performance is monitored against defined quality targets

Suppliers
The Group has incorporated the CBI's Prompt Payment Code into the Group's operating policy relating to the payment of suppliers The Group's trade creditors as at 31 December 2007 represented 41 days (2006 38 days) of average purchases over the financial year The Company had no trade creditors as at 31 December 2007 (2006 £nil)

Auditors and disclosure of information to auditors
Each person who is a Director at the date of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting

By order of the Board
J Simmonds
Company Secretary
19 March 2008

Report of the Remuneration Committee

This Report of the Remuneration Committee is unaudited except for those parts which are indicated otherwise

Policy for Directors' remuneration
The remuneration policy of the Group, including the policy for Executive Directors, is determined by the Remuneration Committee of the Board, the membership of which comprises solely Non-Executive Directors

The remuneration policy for Non-Executive Directors is determined by the Board of Directors as a whole

In determining remuneration policy, the objectives of the Committee are, in relation to both the current and subsequent years, to provide competitive remuneration arrangements for Executive Directors and senior executives, which are commensurate with those of other companies of a similar nature, size and standing, which reflect the Group's business and financial objectives, and reward individuals' personal contributions to the Group's overall performance

Remuneration arrangements are addressed within the context of the Group's current performance, its progress towards strategic objectives and individual executives' personal performance Arrangements are tailored to reflect good practice within the particular countries in which executives are based, and are regularly reviewed

In developing remuneration arrangements, the Remuneration Committee (and, in regard to Non-Executive Directors, the Board) refers to external market survey data and receives advice from Linklaters as required

As explained in last years Report, the Remuneration Committee has appointed independent consultants Watson Wyatt to review the Group's remuneration strategy In addition to benchmarking remuneration levels, this review has focused particularly on incentive strategy and incentive plan design, taking into account practice in companies of a similar nature, size and standing as well as evolving best practice

Prior to the announcement of the proposed acquisition of the Company by GE Healthcare Life Sciences Limited ("GEHL") the Remuneration Committee was working with Watson Wyatt and Kepler Associates to finalise the design and operation of a new long term incentive plan likely to be a performance share plan In the ordinary course of events this would have been presented to shareholders for their approval at the 2008 Annual General Meeting However, this has been postponed on the assumption that the proposed acquisition by GEHL will proceed to completion During the year the Remuneration Committee put in place an interim incentive and retention arrangement for the Executive Directors that provides for a cash payment, under certain circumstances, in the event of a change of control of the Company These arrangements remain in place Further details of these arrangements are set out in the Scheme of Arrangement circular which has already been provided to shareholders in connection with the proposed acquisition by GEHL, and a copy of which can be obtained from the Company Secretary

Remuneration of Directors
Remuneration of the Chairman
Mr Harper's remuneration comprises salary and fees In addition to the payment of salary and fees, Mr Harper is entitled to receive a grant of restricted ordinary shares of the Company with a value of £50,000, calculated based upon the middle market value of the Company's ordinary shares at the date of the grant of the restricted shares These restricted shares vest on the third anniversary of the date of the grant In addition, in the event that Mr Harper purchases ordinary shares of the Company in the period to 16 December 2008, he is entitled to further grants of restricted shares on a one-for-one matching basis up to a maximum value of £150,000 At 31 December 2007 no restricted shares had been granted Mr Harper does not participate in any of the Company's health, sickness, life insurance, retirement or other benefit schemes

Mr Thian, the Chairman until 17 December 2007, received remuneration comprising salary and fees He did not participate in any of the Company's health, sickness, life insurance, retirement or other benefit schemes

Remuneration of Non-Executive Directors
Non-Executive Directors received remuneration comprising fees and payments for consultancy activities as detailed in the notes to this Report of the Remuneration Committee

Non-Executive Directors are encouraged to receive part of their fees in the form of ordinary shares in the Company, which are purchased quarterly by the Company at the full market price

Remuneration of Executive Directors
In addition to base salaries, which are determined by the Remuneration Committee in relation to specific job responsibilities and individual capabilities, Executive Directors participate in the Whatman Group Incentive Scheme, with a maximum bonus potential of 100% of base salary subject to achievement of defined Group, operational and individual objectives, including targets relating to net sales, gross margin and operating expenses, and quantitative measures of achievement of strategic objectives

Executive Directors also receive a cash allowance in lieu of a company car, participate in the Whatman 1998 Executive Share Option Scheme, in the Whatman Defined Contribution Pension Scheme and in the Group's health, sickness and life insurance schemes

Details of the elements of Executive Directors' remuneration are contained in the notes to this Report

Executive Directors are also eligible after an initial period of service to participate in the Group's Save As You Earn Scheme

All share incentive arrangements incorporate performance requirements, details of which are included in the notes to this Report

There are no other current long-term incentive schemes

Service contracts

The Chief Executive Officer has a contract terminable by the Company on twelve months notice and terminable by the executive on six months notice The Group Finance Director has a contract which is terminable by the Company or by the executive on twelve months notice The Directors' contracts are rolling contracts and continue until such time as notice is served

The Non-Executive Directors do not have service agreements, except for Mr Harper Further details of Mr Harper's service agreement is provided in note (h) to this Report It is the Company's policy that Non-Executive Directors serve for renewable three year periods

Of the Directors to be proposed for re-election at the forthcoming Annual General Meeting, Mr Hewitt and Mr May do not have a service contract

A Membership of the Remuneration Committee

During 2007, the members of the Remuneration Committee were Mr Evans (until his resignation on 24 May 2007), Mr Hewitt (from his appointment on 24 May 2007), Dr May, Dr Kehler (Chairman) and Mr Wood

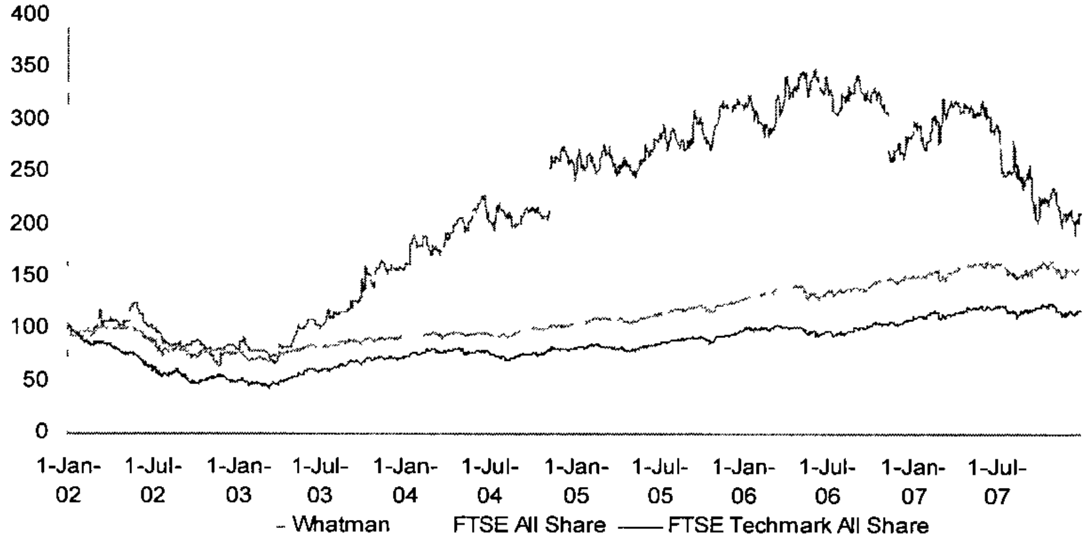
Share price performance

The graphs below show the share price performance of Whatman plc Ordinary shares compared to that of the Financial Times All Share and techMARK indices over the periods 1 January 2002 to 31 December 2007 and 1 January 2007 to 31 December 2007 The Directors consider these indices to be the most appropriate, as the Group is a constituent of the indices

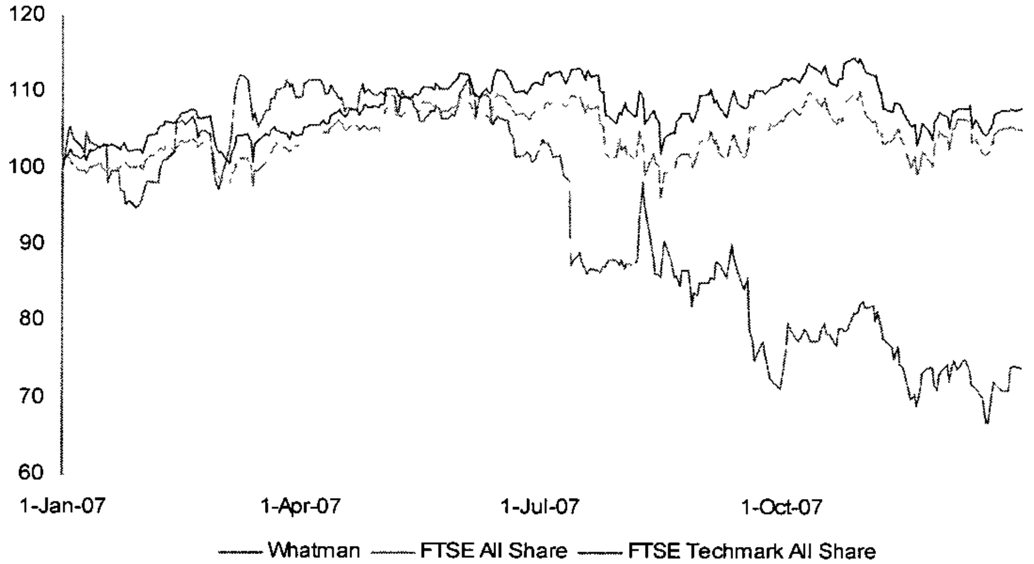
An investment in Whatman shares on 1 January 2002 would have produced a positive return of 111% at 31 December 2007 compared to a return of 58% in the FTSE All Share Index and a return of 18% in the techMARK Index over that period

An investment in Whatman shares on 1 January 2007 would have produced a negative return of 26% at 31 December 2007 compared to a return of 5% in the FTSE All Share Index and a return of 8% in the techMARK Index over that period

Share price performance 1 January 2002 – 31 December 2007



Share price performance 1 January 2007 – 31 December 2007



The market price of the shares at 31 December 2007 was 191 75p (31 December 2006 265p) The highest price during 2007 was 298p and the lowest price 173p

By order of the Board
Hinrich Kehler
Chairman, Remuneration Committee
19 March 2008

The notes a) to h) on the following pages form part of the Report of the Remuneration Committee

Notes
(Except for notes (a), (c) and (h) these notes to the Report of the Remuneration Committee comprise audited information)

a) The composition of each Director's remuneration (excluding share-based incentives) is targeted to be

	Non performance related %	Performance related %
J N Bonnar (resigned 29 May 2007)	55	45
W C Emhiser (resigned 17 January 2007)	55	45
D R Evans (resigned 24 May 2007)	100	-
H G Gassen	100	-
P Greenhalgh (resigned 29 May 2007)	55	45
M Harper (appointed 17 December 2007)	100	-
J L Hewitt (appointed 24 May 2007)	100	-
H Kehler	100	-
S P W May	100	-
T M McNally (resigned 24 May 2007)	100	-
K P Murphy (appointed 18 January 2007)	50	50
C Rickard (appointed 4 June 2007)	50	50
R P Thian (resigned 17 December 2007)	100	-
A J Wood	100	-

b) Directors' monetary remuneration in 2007

	2007					2006
	Salary/fees £'000	**Benefits in kind £'000**	**Annual bonus £'000**	**Compensation for loss of office £'000**	**Total £'000**	**Total £'000**
J N Bonnar (resigned 29 May 2007)	58	8	-	146	**212**	170
W C Emhiser (resigned 17 January 2007)	12	3	-	165	**180**	338
D R Evans (resigned 24 May 2007)	17	-	-	-	**17**	50
H G Gassen (appointed 1 September 2006)	57	-	-	-	**57**	19
P Greenhalgh (resigned 29 May 2007)	62	6	-	149	**217**	177
M Harper (appointed 17 December 2007)	6	-	-	-	**6**	-
J L Hewitt (appointed 24 May 2007)	26	-	-	-	**26**	-
M Jovan (resigned 24 May 2006)	-	-	-	-	**-**	25
H Kehler	59	-	-	-	**59**	61
S P W May	70	-	-	-	**70**	70
T M McNally (resigned 24 May 2007)	25	-	-	-	**25**	46
K Murphy (appointed 18 January 2007)	261	13	120	-	**394**	-
C Rickard (appointed 4 June 2007)	130	13	80	-	**223**	-
R P Thian (resigned 17 December 2007)	131	-	-	-	**131**	141
A J Wood	40	-	-	-	**40**	40
Total	**954**	**43**	**200**	**460**	**1,657**	1,137

1 Mr Murphy was the highest paid Director in 2007

2 Benefits in kind include the provision of a car allowance, medical and life insurances and, in respect of Mr Emhiser, reimbursement of relocation costs and cost of living allowance (pension contributions are stated in section (f) below)

3 Of the remuneration of Mr Thian, £68,259 (2006 £75,747) was payable to Renex Ltd in respect of his executive services

4 The amounts of salary/fees paid to Non-Executive Directors were inclusive of the following payments for consultancy work D Evans £nil (2006 £10,000), M Jovan £nil (2006 £8,424), H Kehler £14,280 (2006 £16,240) and T M McNally £7,927 (2006 £6,000)

5 No expense allowances chargeable to UK tax have been paid

6 Mr Bonnar and Mr Greenhalgh exercised share options during the year ended 31 December 2007 Further details of the options exercised are set out in notes d) and e) of this Report

7 Mr Bonnar, Mr Greenhalgh, Mr Murphy and Mr Rickard were granted share options during the year ended 31 December 2007 Further details of the options granted are set out in note e) of this Report

c) Directors' interests in the share capital of the Company

The beneficial interests of Directors at the end of the financial year in the Ordinary 1p shares of the Company were as set out below The interests disclosed below include the interests of the families of the Directors

As at 31 December	**2007**	2006*
H G Gassen	-	-
M Harper	-	-
J L Hewitt	3,535	-
H Kehler	8,918	4,986
S P W May	10,520	8,172
K Murphy	-	-
C Rickard	-	-
A J Wood	-	-

* or date of appointment if later

There have been no changes in the interests of the Directors between 1 January 2008 and 29 February 2008

d) Save As You Earn Scheme

During the year Mr Greenhalgh exercised 5,637 options at an exercise price of 159 6p in the Whatman plc Savings Related Share Option Scheme The market price of the Company's ordinary shares on the date of exercise was 212 25p At 31 December 2007 none of the Directors held options in the Whatman plc Savings Related Share Option Scheme

e) Share-based Incentive Schemes

(i) Whatman plc Incentive Option Scheme for the former Chairman

Mr Thian participated in the Whatman plc Incentive Option Scheme for the Chairman which was approved by shareholders at the Extraordinary General Meeting held on 30 November 2004

Under this scheme, Mr Thian received a single grant of 1,000,000 options on 30 November 2004 500,000 of these options became exercisable in January 2006 when there was an increase in the Ordinary Share price of 15% over the exercise price, the increase in price being an average measured over 60 consecutive trading days These were exercised on 31 January 2006 when the market price of an ordinary share was 286p The remaining 500,000 options were exercisable at an exercise price of 251 33p if there was an increase in the Ordinary Share price of 30% over the exercise price, the increase being an average measured over 60 consecutive trading days This performance criteria was not reached and the options lapsed upon Mr Thian's resignation

(ii) Whatman 1998 Executive Share Option Scheme

Executive Directors participate in the Whatman 1998 Executive Share Option Scheme, which was approved by shareholders in 1998

This comprises an annual grant of options for the Chief Executive Officer and for other Executive Directors The actual number granted to each participant in each year is determined according to an assessment of corporate and individual performance

One third of each grant of options becomes exercisable three years after the date of grant, a further third becomes exercisable four years after the date of grant, and the final third becomes exercisable five years after the date of grant, in every case subject to the average of the middle market quotations for Whatman Ordinary Shares over any period of twenty consecutive Dealing Days being at least 15% p a compound above the average of the middle market quotations over the five Dealing Days prior to grant

Outstanding options, held by the Directors, are summarised in the table below

	At 1 January 2007	Granted during year	Lapsed during year	Exercised during year	At 31 December 2007	Exercise price	MV at date of exercise	Date from which exercisable	Expiry date
J N Bonnar	100,000	-	-	(100,000)	-	148 30p	277 25	1	30 11 07
	125,000	-	-	(125,000)	-	195 67p	277 25	1	30 11 07
	125,000	-	-	-	125,000	234 92p		2	16 11 08
	125,000	-	-	-	125,000	307 67p		3	05 11 09
	-	125,000	-	-	125,000	281 92p		4	24 11 10
P Greenhalgh	25,000	-	-	(25,000)	-	148 30p	277 25	5	30 11 07
	125,000	-	-	(125,000)	-	195 67p	277 25	5	30 11 07
	100,000	-	-	-	100,000	234 92p		2	16 11 08
	125,000	-	-	-	125,000	307 67p		3	05 11 09
	-	125,000	-	-	125,000	281 92p		4	24 11 10
W C Emhiser	300,000	-	(300,000)	-	-	275 25p		6	17 07 07
K Murphy	-	350,000	-	-	350,000	255 58p		7	26 01 17
C Rickard	-	125,000	-	-	125,000	278 08p		8	04 06 17

1 Of the options exercised, 150,000 of these options became exercisable following the resignation of the Director
2 These options are exercisable from 16 May 2008
3 These options are exercisable from 5 May 2009
4 These options are exercisable from 24 May 2010
5 Of the options exercised, 100,000 of these options became exercisable following the resignation of the Director
6 These options lapsed subsequent to the resignation of the Director
7 Subject to the achievement of performance criteria, one third of the options become exercisable from 26 January 2010, one third from 26 January 2011 and one third from 26 January 2012
8 Subject to the achievement of performance criteria, one third of the options become exercisable from 4 June 2010, one third from 4 June 2011 and one third from 4 June 2012

f) Directors' pensions

Executive Directors participate in the Whatman Defined Contribution Pension Scheme and the Company makes normal contributions amounting to 18 0% of base salary, subject to the participants contributing a minimum 4 0% of base salary In 2007 aggregate pension contributions paid by the Company were £129,690 (2006 £42,275) of which £45,375 (2006 £nil) was in respect of Mr Murphy, £23,625 (2006 £nil) was in respect of Mr Rickard, £29,400 (2006 £23,400) was in respect of Mr Bonnar and £31,290 (2006 £18,875) was in respect of Mr Greenhalgh The pension contributions in respect of Mr Bonnar and Mr Greenhalgh include £18,900 and £20,115 respectively in respect of compensation for loss of office

The Chairman and the Non-Executive Directors are not eligible for any pension entitlements

g) Directors' gains on exercising of share options

The aggregate gains made by Directors' on exercising of share options during the year ended 31 December 2007 was £368,000 (2006 £173,000)

h) Directors' service contracts

	Date of contract	Notice period	Contractual termination provisions
H G Gassen	27 September 2006	Not applicable [1]	Subject to rotational retirement and re-election
M Harper	14 December 2007	3 months by Company or by Director, at any time	Payment in lieu of notice [2]
J L Hewitt	23 April 2007	Not applicable [1]	Subject to rotational retirement and re-election
H Kehler	1 January 2005 (on appointment)	Not applicable [1]	Subject to rotational retirement and re-election
S P W May	11 August 1994, amended 7 October 2002	Not applicable [1]	Subject to rotational retirement and re-election
K Murphy	15 January 2007	12 months by Company or 6 months by Director, at any time	At the Company's discretion, payment in lieu of notice [3]
C Rickard	24 May 2007	12 months by Company or by Director, at any time	At the Company's discretion, payment in lieu of notice [3]
A J Wood	1 January 2006	Not applicable [1]	Subject to rotational retirement and re-election

[1] The terms and conditions for these Non-Executive Directors do not include any provision for compensation in the event of termination, the term of appointment being subject to rotational retirement and re-election

[2] In the event of a change of control of the Company leading to a termination of appointment prior to the grant of restricted ordinary shares, compensation for loss of office of £125,000 is payable by the Company

[3] The service agreements were amended on 3 February 2008 to provide that where the Director's employment is terminated by the Company within 12 months of a change of control, and they are not required to serve their notice, the Company will make a payment in lieu to each Director equal to the aggregate of (i) 12 months basic annual salary, (ii) the amount of Company pension contributions for a 12 month period, being 18% of pensionable earnings, and (iii) car allowance for a 12 month period Where a Director is required to serve part of his notice period, the 12 month periods referred to above are replaced by the period of any unserved notice In consideration for this payment the Directors have agreed to waive any entitlement they may have to receive any bonus payable to them under any bonus scheme in force at the date of termination

Corporate Governance

The Group is committed to achieving the highest standards of corporate governance and the Directors recognise that strong governance helps the business to deliver its strategy, safeguard shareholders' long term interests and generate shareholder value

The Directors set out below their application of current best practice corporate governance procedures within the Group and the extent to which the Group has complied with the Listing Rules of the Financial Services Authority relating to the provisions of the Combined Code Principles of Good Governance and Code of Best Practice (the "Combined Code") In June 2006, a revised Combined Code was published which has replaced the previous Combined Code published in July 2003 Accordingly, references in this statement to the Combined Code relate to the revised 2006 Combined Code

Board of Directors
The Board is responsible for the Group's system of corporate governance

The Board comprises both Executive and Non-Executive Directors Until 29 May 2007 there were three Executive Directors and following the resignations of Mr Ian Bonnar and Mr Philip Greenhalgh on 29 May 2007 and the appointment of Mr Chris Rickard on 4 June 2007 there were two Executive Directors Until 24 May 2007 there were six Non-Executive Directors and following the resignations of Mr David Evans and Mr Tom McNally and the appointment of Mr Jeffrey Hewitt there were five Non-Executive Directors, in addition to the Non-Executive Chairman

Mr Michael Harper was appointed Non-Executive Chairman on 17 December 2007 Prior to that date Mr Bob Thian was Non-Executive Chairman Mr Harper is also Chairman of The Vitec Group plc and BBA Aviation plc

Dr Simon May is the senior independent Non-Executive Director and Deputy Chairman

All Directors bring strong judgment and considerable knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct

The Board meets formally at least eight times a year Additional meetings are arranged as necessary to consider any urgent business In addition, the Chairman holds meetings with the Non-Executive Directors as necessary The Board periodically delegates responsibility for certain business matters to sub-Committees of the Board set up in accordance with the provisions of the Company's Articles of Association

Information provided to the Board includes monthly Group operating reports and management accounts, reports on treasury and foreign exchange management, and specific business plans and reports The Board meets for in-depth reviews of strategy and discussions of particular business issues and risks including annual reviews of business development plans The Board has a formal schedule of matters reserved for its approval These matters include acquisition and disposal of businesses, issue of shares, significant contractual commitments, effectiveness of risk management review processes and major capital expenditure Responsibility for the day to day operations of the Group rests with management who provide the Board with regular reports as described above

All new Directors receive full, formal and tailored induction on joining the Board They receive formal documents relating to the management and operation of the Group, strategic and operational plans and reports, statutory and management accounts of the Group and its subsidiaries They also meet the Group's major shareholders and visit the Group's operating sites, meeting with executives, management and staff

The Board has established a procedure for Directors to take independent professional advice at the Group's expense in connection with matters relating to the business of the Group should the need arise, and all Directors have access to the services of the Company Secretary

Principal Board Committees
The Board has established a number of Committees to which it delegates certain powers These Committees are the Audit Committee, the Nomination Committee and the Remuneration Committee The Board provides each Committee with sufficient resources to enable them to undertake their duties and the Board is kept fully informed of the work of these Committees Any issues requiring Board consideration are referred to the full Board by the Chairman of the relevant Committee The terms of reference of the committees are available from the Company's registered office and are summarised below

Audit Committee
The Audit Committee's primary responsibilities are to review the Group's annual financial statements and interim statements and to review the Group's system of internal controls, the management of risks and the external and internal audit process The Committee also recommends to the Board proposals for the appointment of the external auditors and is directly responsible for their remuneration, oversight of their work and monitoring of their independence The Audit Committee also reviews arrangements by which staff may raise concerns in confidence about matters relating to the Group's affairs The Audit Committee meets at least three times a year and comprises entirely of independent Non-Executive Directors

The Board believes that Mr Jeffrey Hewitt possesses the recent and relevant financial experience as described by the Combined Code

Nomination Committee
The Nomination Committee meets as required to review the structure, size and composition of the Board and the appointment of the members of the Board and makes recommendations to the Board as appropriate The Committee appoints appropriate search consultants for the recruitment of new Board members

Remuneration Committee
The Remuneration Committee meets as required to determine the terms of service and remuneration of the Executive Directors and senior executives and the remuneration policy for Non-Executive Directors The Report of the Remuneration Committee appears on pages 20 to 26

The membership of these committees during the year is set out in the table below

	Audit	Nomination	Remuneration
Chairmen			
S P W May	Y[1]	Y	
J L Hewitt	Y[1]		
H Kehler			Y
Membership (other than as chairman)			
D R Evans (resigned 24 May 2007)	Y		Y
H G Gassen		Y	
J L Hewitt (appointed on 24 May 2007)	Y[1]	Y	Y
H Kehler	Y	Y	
S P W May	Y[1]		Y
T M McNally (resigned 24 May 2007)		Y	
A J Wood[2]			Y

1 Dr Simon May was Chairman of the Audit Committee until 17 September 2007 He continues to serve as a member of the Audit Committee Mr Jeffrey Hewitt was appointed as a member of the Audit Committee on 24 May 2007 and he was appointed as Chairman on 17 September 2007

2 Mr Alan Wood was appointed as Chairman of Whatman-Xinhua Limited, in which the Group has a 75% interest in the share capital, on 12 December 2007

Attendance at Board and Committee Meetings
The table below summarises the total number of Board, Audit Committee, Nomination Committee and Remuneration Committee meetings held during 2007 The number of meetings attended by each of the Directors who served on the Board or on each relevant Committee is noted below

	Board	Audit	Nomination	Remuneration
Total number of meetings	15	6	4	12
Meetings attended				
J N Bonnar	4	-	-	-
D R Evans	3	2	-	2
H G Gassen	12	-	2	-
P Greenhalgh	4	-	-	-
M Harper	1	-	-	-
J L Hewitt	13	4	3	10
H Kehler	14	5	4	12
S P W May	15	6	4	12
T M McNally	4	-	-	-
K Murphy	15	-	-	-
C Rickard	11	-	-	-
R P Thian	14	-	-	-
A J Wood	15	-	1	10

Evaluation of the Board
Formal evaluation of the performance of the Board, its Committees and Directors has been conducted and has concluded that the Board has remained effective during the year The performance evaluation of the Board and Directors was undertaken by the Chairman The Chairman's performance was evaluated by the senior independent Non-Executive Director with the other Non-Executive Directors, taking into account the views of the Executive Directors

Relationships with investors
The Company reports formally to shareholders in accordance with the requirements of the EU Transparency Directive In addition, there are presentations of the interim announcement and of the preliminary announcement of the annual results to institutional investors, analysts and the media All press releases and Company announcements are available on the Company's website at www Whatman com

The Annual General Meeting ("AGM") will be held in due course and formal notification will be provided to shareholders All Board members usually attend and are available to respond to questions both formally in the meeting and informally afterwards All resolutions at the AGM are decided on a show of hands as required by the Company's Articles of Association unless a poll is requested The results are announced at the AGM and are published on the Company's website

The Combined Code
The Combined Code incorporates recommendations of best practice in respect of the control and reporting functions of the Board It sets out principles under the headings of

- Directors,
- Directors' remuneration,
- Accountability and audit,
- Relations with shareholders

Detailed provisions in respect of each principle are provided within the Code These require Directors to report in the Annual Report on

- Directors' remuneration,
- Directors' responsibility for the accounts,
- Going concern,
- Internal control

Directors' remuneration is addressed in the Report of the Remuneration Committee on pages 20 to 26 The other provisions are addressed below

Statement of Directors' responsibility for the accounts
The Directors are responsible for preparing the Annual Report, the Report of the Remuneration Committee and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the Group and Whatman plc financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ("IASB") The financial statements are required by law to give a true and fair view of the state of affairs of Whatman plc and the Group and of the profit or loss of the Company and 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 financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business

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 Whatman plc and the Group and to enable them to ensure that the financial statements and the Report of the Remuneration Committee comply with the Companies Act 1985 and, as regards the Group financial statements, article 4 of the IAS Regulation They are also responsible for safeguarding the assets of Whatman plc 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 Group's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from the legislation in other jurisdictions

Going concern
The Directors consider that the funds available to the Group are sufficient for its operations for the foreseeable future and accordingly have prepared the financial statements on the going concern basis

Internal control
Internal control is defined in the Combined Code as "all controls, including financial, operational and compliance controls and risk management"

In accordance with the provisions of the Combined Code, the Directors are responsible for the Group's system of internal control and for reviewing its effectiveness The Board has reviewed the Group's system of internal control and has updated its assessment of the risks affecting both the short-term and long-term value of the business and the policies and procedures by which these risks are managed

The review process, which has been in place throughout the year, comprises appropriate consideration and discussion of business and financial reports, strategic plans, capital expenditure projects, product development projects, tax and treasury issues, risk management and legal issues It also comprises receiving regular updates from management and the Board considers that this, together with continuous monitoring, has enabled it to comply with all relevant provisions of the Combined Code in relation to internal controls

However, it should be noted that any such system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss

The Group uses the corporate intranet as a communication channel to ensure that all employees have easy access to the policies and procedures manual

The key features of the Group's internal control system are

- Identification of Group goals, strategy and business objectives,
- Appropriate organisation structure which is subject to periodic review to ensure changing business needs are continuously served and which identifies responsibilities and reporting structures,
- Financial approval and reporting procedures which enable progress of the business to be monitored and performance against plan to be compared each month,
- Framework of operating policies and procedures which help ensure that manufacturing and other operating activities are carried out to the best possible recognised standards, and
- Policies in respect of business conduct and ethical values are clearly communicated to employees

Whilst overall responsibility for the review of the Group's system of internal controls rests with the Board of Directors, the Audit Committee has in place a programme of activities in order that it can assess the effectiveness of the Group's internal control and risk management procedures and practices In particular, during 2007 the Audit Committee has reviewed

- Reports from the external auditors on areas including certain critical accounting policies and judgments used by the Group, draft interim and annual financial statements, taxation, audit strategy and approach and internal financial controls,
- The progress made on implementing enhancements to internal controls which were identified following detailed reviews of internal controls carried out by the external auditors and other external consultants during 2006, and
- Reports from the Group Finance Director on financial and accounting matters including the Group structure and tax planning

In addition, the Audit Committee has

- monitored the objectivity, effectiveness and independence of the external auditors, including the nature and extent of the non-audit services provided, in addition, the external auditors have processes in place to ensure that their independence is maintained, including safeguards to ensure that where they do provide non-audit services, their independence is not compromised, they have confirmed to the Audit Committee that in their opinion they are independent, and
- reviewed arrangements by which employees may, in confidence, raise concern about possible improprieties in matters of financial reporting or other matters and by which the Group investigates such matters and implements appropriate actions

Following consideration of these matters the Audit Committee Chairman reports any relevant matters to the Board for its consideration

The Group policy for reporting fraud or malpractice is to enable employees to report matters to the Company Secretary, any human resources manager or any senior manager of the Group Where the report is made to a human resources manager or senior manager of the Group, the Chairman of the Audit Committee is to be notified immediately Where an employee considers that it is not appropriate to report the concern to an Officer of the Company or having reported the concern, an adequate response has not been provided, the employee may, where available, report the concern to a staff representative body, an external agency, or direct to the Chairman of the Audit Committee

Internal audit
During the course of 2007, there was no separate internal audit function as the Group was not considered to be sufficiently large to justify such a function Compliance by subsidiaries with the internal financial control procedures and policies is reviewed by the Group finance function

During 2008, should the proposed acquisition by GE Healthcare Life Sciences Limited not proceed to completion, an external firm of accountants will be appointed to carry out a programme of internal audit activities approved by the Audit Committee

Statement of compliance with the Combined Code
During the year, in addition to their Directors' fees, Mr Kehler and Mr McNally received remuneration for consultancy projects carried out for the Group, the amounts of which are detailed in the Report of the Remuneration Committee However these projects were of a discrete nature The Board is confident that involvement in these projects does not compromise their independence as Non-Executive Directors

Although Dr May has been a Board member for more than ten years since his first election, during that time the entire remaining Board membership has changed, as has the entire level of management that reports to the Board, except for the Company Secretary, as well as much of the Group's senior management below those levels This means that Dr May's position with respect to the rest of the Board, all reports to the Board, and much of the Group's senior management, continues to be independent in the ways envisaged by the Combined Code

Accordingly, all of the Non-Executive Directors who held office during the year are considered to be independent and the Board considers that throughout the year the Company has been in compliance with the Code provisions set out in Section 1 of the Combined Code

By order of the Board
John Simmonds
Company Secretary
19 March 2008

Independent auditors' report to the members of Whatman plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Whatman plc for the year ended 31 December 2007 which comprise the Group and Whatman plc Income Statements, the Group and Whatman plc Statements of Recognised Income and Expense, the Group and Whatman plc Balance Sheets, the Group and Whatman plc Statements of Cash Flows and the related notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Report of the Remuneration Committee that is described as having been audited

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Report of the Remuneration Committee and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibility for the accounts

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report of the Remuneration Committee to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements The information given in the Report of the Directors includes that specific information presented in the Business Review that is cross referenced from the 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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Report of the Directors, the unaudited part of the Report of the Remuneration Committee, the Chairman's Statement, the Business Review and the Corporate Governance Statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the 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 financial statements and the part of the Report of the Remuneration Committee to be audited It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 financial statements and the part of the Report of the Remuneration Committee to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report of the Remuneration Committee to be audited

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's and the Parent Company's affairs as at 31 December 2007 and of the Group's and the Parent Company's profit and cash flows for the year then ended,

- the financial statements and the part of the Report of the Remuneration Committee to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation, and

- the information given in the Report of the Directors is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
19 March 2008

Income statements
for the year ended 31 December 2007

		Group		Whatman plc	
	Note	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Revenue	3	**115 5**	120 9	-	-
Cost of sales		**(62 8)**	(64 0)	-	-
Gross profit		**52 7**	56 9	-	-
Other operating income	5	-	0 7	-	-
Sales and marketing expenses		**(18 3)**	(17 5)	-	-
Research and development costs		**(3 0)**	(2 9)	-	-
Administrative expenses	5	**(20 7)**	(11 0)	**(6.7)**	0 1
Biometra provision release	4	-	9 1	-	-
Operating profit/(loss)		**10 7**	35 3	**(6.7)**	0 1
Analysed as					
Underlying operating profit/(loss)		**24 1**	27 8	**(3 3)**	0 2
Non-recurring items	4	**(12 9)**	8 0	**(3.3)**	-
Amortisation of intangible assets		**(0 5)**	(0 5)	**(0 1)**	(0 1)
Operating profit/(loss)		**10 7**	35 3	**(6 7)**	0 1
Finance costs	7	**(4 8)**	(4 4)	**(11 7)**	(10 3)
Finance income	7	**3 8**	3 7	**60 2**	20 8
Profit before taxation	8	**9 7**	34 6	**41 8**	10 6
Income tax (charge)/credit	11	**(3 4)**	(9 7)	**2 5**	(1 0)
Profit for the year attributable to equity shareholders		**6 3**	24 9	**44 3**	9 6

Earnings per share (expressed in pence per share)			
- Basic	13	**4 79p**	19 03p
- Diluted	13	**4.78p**	18 73p

The notes on pages 39 to 76 form an integral part of the financial statements

Statements of recognised income and expense
for the year ended 31 December 2007

		Group		Whatman plc	
		2007	2006	**2007**	2006
	Note	**£m**	£m	**£m**	£m
Continuing operations					
Net exchange gain/(loss) on translation of overseas results and net assets		**0 8**	(5 4)	**-**	-
Net investment hedge		**(1 3)**	(0 5)	**-**	-
Tax on net investment hedge		**0 2**	0 2	**-**	-
Actuarial gain/(loss) recognised in the pension scheme	24	**3.7**	(3 1)	**-**	-
Deferred tax on actuarial gain/(loss) in the pension scheme	11	**(1 1)**	0 9	**-**	-
Cash flow hedges (net of related deferred tax)	30	**(0 7)**	-	**-**	-
Net gains/(losses) recognised directly in equity		**1 6**	(7 9)	**-**	-
Profit for the year attributable to equity shareholders		**6 3**	24 9	**44 3**	9 6
Total recognised income and expense for the year attributable to equity shareholders		**7 9**	17 0	**44 3**	9 6

The notes on pages 39 to 76 form an integral part of the financial statements

Balance sheets

At 31 December 2007

	Note	Group 2007 £m	Group 2006 £m	Whatman plc 2007 £m	Whatman plc 2006 £m
Assets					
Non-current assets					
Goodwill	14	**38.2**	33 1	**-**	-
Other intangible assets	14	**4 3**	4 7	**1 3**	1 4
Property, plant and equipment	15	**30 5**	32 7	**6 0**	6 1
Investment in subsidiaries	16	**-**	-	**149 9**	48 4
Retirement benefit asset	24	**2 7**	-	**-**	-
Deferred tax assets	27	**2 3**	2 9	**-**	-
Trade and other receivables	19	**0 9**	0 8	**82 2**	152 6
Total non-current assets		**78 9**	74 2	**239 4**	208 5
Current assets					
Inventories	18	**16 4**	18 4	**-**	-
Trade and other receivables	19	**23 6**	23 5	**38 3**	16 9
Current tax assets	22	**2.0**	0 7	**2 3**	1 0
Derivative financial instruments	28	**0.1**	0 1	**-**	0 1
Cash and cash equivalents	20	**11.3**	15 2	**1 7**	1 3
Total current assets		**53 4**	57 9	**42 3**	19 3
Total assets		**132 3**	132 1	**281 7**	227 8
Liabilities					
Non-current liabilities					
Borrowings	23	**(23 0)**	(20 5)	-	(20 5)
Trade and other payables	21	**(0 7)**	-	**-**	-
Retirement benefit obligation	24	**(8 8)**	(9 6)	-	-
Deferred tax	27	**-**	-	**(0 6)**	(0 4)
Provisions	26	**(3 1)**	(0 5)	**-**	-
Total non-current liabilities		**(35 6)**	(30 6)	**(0 6)**	(20 9)
Current liabilities					
Bank overdraft	20	**(1 5)**	-	**(1 8)**	-
Borrowings	23	**-**	(9 6)	**-**	(9 6)
Trade and other payables	21	**(14 5)**	(12 7)	**(202 9)**	(160 0)
Current tax liabilities	22	**(6 7)**	(10 4)	**-**	-
Derivative financial instruments	28	**(0 7)**	-	**-**	-
Provisions	26	**(3 0)**	(1 7)	**-**	-
Total current liabilities		**(26 4)**	(34 4)	**(204 7)**	(169 6)
Total liabilities		**(62 0)**	(65 0)	**(205 3)**	(190 5)
Net assets		**70 3**	67 1	**76 4**	37 3
Equity					
Capital and reserves attributable to equity holders of Whatman plc					
Share capital	29	**1.4**	1 4	**1 4**	1 4
Share premium	29	**20 5**	19 4	**20 5**	19 4
Other reserves	31	**(1 3)**	(0 3)	**5 2**	5 2
Retained earnings	31	**48 8**	46 6	**49 3**	11 3
		69 4	67 1	**76.4**	37 3
Minority interest in equity	31	**0 9**	-	**-**	-
Total equity	31	**70 3**	67 1	**76 4**	37 3

These financial statements on pages 35 to 76 were approved by the Board of Directors on 19 March 2008 and were signed on its behalf by

Kieran Murphy – Chief Executive Officer **Chris Rickard – Group Finance Director**

The notes on pages 39 to 76 form an integral part of the financial statements

Statements of cash flows
for the year ended 31 December 2007

	Note	Group 2007 £m	Group 2006 £m	Whatman plc 2007 £m	Whatman plc 2006 £m
Cash flows from operating activities					
Cash generated from operations	33	**24 5**	23 2	**5 4**	(2 9)
Interest received		**0 5**	0 5	**0 1**	0 1
Finance costs paid		**(2 0)**	(1 2)	**(1 3)**	(1 2)
Dividend received		**-**	-	**21 8**	-
Tax (paid)/received		**(8 9)**	(2 4)	**1 2**	2 7
Net cash flows from operating activities		**14 1**	20 1	**27 2**	(1 3)
Cash flows from investing activities					
Acquisition of subsidiaries (net of cash acquired)		**(0 8)**	(0 3)	**-**	-
Purchase of property, plant and equipment ("PPE")		**(3 4)**	(5 9)	**-**	-
Disposal proceeds from sale of PPE		**0 1**	-	**-**	-
Disposal proceeds from available for sale assets		**-**	2 1	**-**	-
Disposal proceeds from sale of business		**-**	0 3	**-**	-
Net cash used in investing activities		**(4 1)**	(3 8)	**-**	-
Cash flows from financing activities					
Purchase of own shares		**-**	(0 8)	**-**	-
Net proceeds from issuance of ordinary share capital		**1 1**	2 1	**1.1**	2 1
Net proceeds from issuance of borrowings		**22 5**	-	**-**	-
Decrease in loans to Group undertakings		**-**	-	**9 5**	15 0
Repayment of borrowings		**(31 7)**	(8 1)	**(31 7)**	(8 1)
Dividends paid		**(7 5)**	(6 9)	**(7 5)**	(6 9)
Net cash (used in)/provided by financing activities		**(15 6)**	(13 7)	**(28 6)**	2 1
Net (decrease)/increase in cash and cash equivalents		**(5 6)**	2 6	**(1 4)**	0 8
Effects of exchange rate changes on cash and cash equivalents		**0 2**	(0 6)	**-**	-
		(5 4)	2 0	**(1 4)**	0 8
Cash and cash equivalents at 1 January	20	**15 2**	13 2	**1 3**	0 5
Cash and cash equivalents at 31 December	20	**9 8**	15 2	**(0.1)**	1 3

The notes on pages 39 to 76 form an integral part of the financial statements

Notes to the financial statements
for the year ended 31 December 2007

1 Significant accounting policies

Whatman plc (the "Company") is a company domiciled and incorporated in the United Kingdom The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group")

The principal accounting policies adopted in the preparation of these financial statements are set out below These accounting policies have been applied to all years presented and have been applied consistently by Group entities, unless otherwise stated

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRSs The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings, available for sale investments and financial instruments A summary of the significant Group accounting policies are set out below These accounting policies are applied to all material transactions, other events and conditions in accordance with IAS 8 ("Accounting Policies, Changes in Accounting Estimates and Errors") and need not apply to immaterial items

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods

Recent accounting developments
IFRS 7 ("Financial Instruments Disclosures") and the amendment to IAS1 ("Presentation of Financial Statements – Capital Disclosures") were issued in August 2005 and are effective for 2007 IFRS 7 revises previous disclosures required under IAS 32 ("Financial Instruments Presentation") The implementation of IFRS 7 has had no effect on the results or net assets of the Company or the Group

IFRS 8 ("Operating Segments") was issued in November 2006 and is effective for accounting periods beginning on or after 1 January 2009 and has not been applied in these financial statements IFRS 8 replaces IAS 14 ("Segmental Reporting") and requires segmental information to be presented on the same basis that management uses to evaluate the performance of the Group's reporting segments in its management reporting The adoption of IFRS 8 will have no effect on the results or net assets of the Group

An amended version of IFRS 3 ("Business Combinations") and related revisions to IAS 27 ("Consolidated and Separate Financial Statements") were issued in January 2008, which are effective for accounting periods beginning on or after 1 July 2009 and have not been applied in these financial statements The revised standards include significant changes to the accounting for business combinations made subsequent to the adoption of the revised standards The Group has not yet determined the effect the adoption of these revised standards will have on the Group's financial statements from 2009

At the date of approval of these financial statements the following Interpretations, which have not been applied in these financial statements, were in issue but not yet effective

IFRIC 11	IFRS 2 – Group and Treasury Share Transactions,
IFRIC 12	Service Concession Arrangements,
IFRIC 13	Customer Loyalty Programmes, and
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Directors anticipate that the adoption of these Interpretations in future periods will have no material impact on the financial statements of the Group

Basis of consolidation
The Group financial statements are the consolidation of the financial statements of the Company and all of its subsidiary undertakings Entities over which the Group has the ability to exercise control are accounted for as subsidiaries Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities Interests acquired in entities are consolidated from the effective date of acquisition, when control commences Interests sold are consolidated up to the date of disposal, when control ceases

Minority interests in the net assets of subsidiaries comprise the minority interest at the date of the business combination together with the minority's share of changes in equity since the date of acquisition

Transactions and balances and unrealised gains between subsidiaries are eliminated on consolidation Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the asset transferred No profit is taken on sales between subsidiaries until the products are sold to customers outside the Group Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable

Foreign currency translation
Foreign currency transactions by Group companies are booked in functional currency at the exchange rate ruling on the date of the transaction Foreign currency assets and liabilities are retranslated into local currency at rates of exchange ruling at the balance sheet date Exchange differences are included in the income statement

Assets and liabilities of overseas subsidiaries are translated into Sterling at rates of exchange ruling at the balance sheet date The results and cash flows of overseas subsidiaries are translated into Sterling using average rates of exchange

Following the transition to IFRS on 1 January 2004, exchange adjustments arising on the translation of the opening net assets of overseas subsidiaries have been taken to a currency translation reserve which forms a separate reserve in equity Exchange adjustments arising before the date of transition to IFRS in respect of all overseas subsidiaries have not been taken to a separate component of equity and are included in retained earnings

Revenue
Revenue is recognised in the income statement when goods or services are despatched and invoiced to external customers and when risk of loss passes to the customer or the carrier No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or the possible return of the goods

Revenue comprises the fair value of the sales of goods and services to external customers, net of discounts and allowances given and accruals for estimated future rebates and returns Estimates for rebates and returns are made on the basis of contractual and historical information and past experience Revenue excludes value added tax and other sales taxes

Expenditure
Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms

Research and development
Research expenditure is charged to the income statement in the period in which it is incurred Development expenditure is capitalised as an intangible asset when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads It is amortised on a straight line basis over the period of the expected benefit and is reviewed for impairment at each balance sheet date Other development expenditure is recognised as an expense as incurred Property, plant and equipment used for research and development is depreciated in accordance with the Group's policy

Property, plant and equipment
Property, plant and equipment is stated at cost of purchase, construction or revalued amount less accumulated depreciation and impairment losses Financing costs associated with the purchase of property, plant and equipment are not capitalised

Depreciation is calculated to write off the cost of property or revalued cost, plant and equipment, using the straight line basis over its expected useful life The normal expected useful lives of the major categories of property, plant and equipment are

Freehold buildings	20 – 50 years
Leasehold land and buildings	Shorter of lease term or 20 – 50 years
Plant and machinery (excluding paper making machines)	4 – 10 years
Paper making machines	20 years
Freehold land	Not depreciated

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date UK properties that had been revalued in 1996 are carried at the revalued amount, less accumulated depreciation Under IFRS 1, the revalued amount has been used as the deemed cost of the assets as at 1 January 2004 and the Group is permitted not to carry out regular revaluation under IAS 16 ("Property, plant and equipment") in future periods

Goodwill
All business combinations are accounted for by applying the purchase accounting method For acquisitions since 1 January 2004, goodwill is the difference between the fair value of the consideration payable (including costs directly attributable to the acquisition) over and above the Group's share of the fair value of the identifiable net assets acquired For acquisitions prior to this date, goodwill is included at the carrying amount recorded previously under UK GAAP Goodwill is carried at cost less accumulated impairment losses Goodwill is deemed to have an indefinite useful life and is tested for impairment annually

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Goodwill arising on acquisitions prior to 1 January 1998 was written off to reserves Goodwill written off to reserves under UK GAAP has not been reinstated and is not included in determining any subsequent profit or loss on disposal

Intangible assets
Intangible assets comprise patents, trade marks, licences, development costs and computer software Intangible assets acquired separately or as part of a business combination are stated at cost less provision for amortisation and impairment

Amortisation is calculated to write off the cost of intangible assets in equal annual instalments over the lower of their legal and estimated useful lives The carrying values of intangible assets together with their useful lives are subject to annual review and any impairment is charged to the income statement The amortisation periods for patents, trademarks and licences currently being used range from 10 to 20 years

The cost of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible assets where the software supports a significant business system ERP systems software is amortised over 5 years and other computer software over 3 to 5 years

Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation 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 fair value less cost to sell and value in use For the purposes of assessing impairment, assets are grouped into cash generating units, being the lowest levels for which there are separately identifiable cash flows

Taxation
The tax expense for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible Current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is accounted for using the balance sheet liability method, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit Deferred tax is calculated based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realisation or settlement based on tax rates and laws enacted or substantively enacted at the balance sheet date

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill not deductible for tax purposes, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit Deferred tax is not discounted

Inventories
Inventories are included in the financial statements at the lower of cost and net realisable value The cost of finished goods and work in progress includes the direct cost of raw materials, direct labour, other direct costs and related production overheads Cost is determined on a first in first out basis Net realisable value is the estimated selling price in the ordinary course of business less variable selling expenses

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment A provision for impairment is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

Borrowings
Borrowings are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method Borrowings are classified as current liabilities unless the Group has the right to defer settlement of the borrowings for at least 12 months after the balance sheet date

Provisions
A provision is recognised when the following criteria are met an obligation exists for a future liability in respect of a past event, it is more likely than not that an outflow of economic resource will be needed to settle the obligation, and the amount of the obligation can be reliably estimated Where material, provisions are discounted

A provision for restructuring is recognised in respect of the direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced and where the appropriate communication to those affected has been undertaken at the balance sheet date Future operating costs are not provided

A provision for an onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract

Operating leases
Operating leases are those leases which do not transfer to the Group substantially all the benefits and risks of ownership of an asset The annual rentals in respect of operating leases are included in the income statement on a straight line basis over the lease term

Income from operating leases is recognised in the income statement on a straight line basis with any rental increases recognised in any period to which they relate

Employee benefits
Defined contribution plans
Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred The assets of the scheme are held separately from those of the Group in an independently administered fund

Defined benefit plans
The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods The benefit is discounted to determine the present value and the fair value of any plan assets is deducted The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating the terms of the Group's obligations The calculation is performed by a qualified actuary using the projected unit credit method

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, were recognised After 1 January 2004 all cumulative actuarial gains or losses are taken through the statement of recognised income and expense in the period in which they arise

Share-based payment transactions
Incentives in the form of shares are provided to employees under equity-settled share option and share award schemes These options and awards are fair valued at their grant dates and the cost is charged to the income statement over the relevant vesting periods

Derivative financial instruments
Derivative financial instruments are used to hedge the Group's exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities The principal derivative instruments used are interest rate swaps and forward foreign exchange contracts and options The Group does not hold or issue derivative financial instruments for trading or speculative purposes

Derivative financial instruments are recognised in the balance sheet at fair value Hedging derivatives are classified on inception as either fair value hedges, cash flow hedges or net investment hedges Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement with the changes in the fair value of the hedged asset or liability Changes in the fair value of derivatives designated as cash flow hedges that are regarded as highly effective are recognised in equity Amounts deferred in equity are transferred to the income statement in line with the hedged forecast transaction The ineffective portions of the gain or loss on cash flow hedges are recognised in the income statement The effectiveness of cash flow hedges is tested at each balance sheet date

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement

Where market values are not available for financial assets and liabilities, fair values are calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates

Share capital
Ordinary shares are classified as equity and are recorded at the proceeds received, net of direct issue costs

Dividend income
Dividend income is recognised when the shareholders' right to receive payment is established

Dividends to shareholders
Dividends to shareholders are recognised as a liability in the period in which they are approved

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, issue or buy back shares or adjust the level of borrowings held

Segmental reporting
A segment is a distinguishable component of the Group that is engaged in either providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments Details of the Group's segments are set out in note 3

Use of non-GAAP profit measures
The Directors believe that underlying operating profit and underlying earnings per share measures provide additional useful information for shareholders on the Group's underlying business performance Underlying operating profit is defined as operating profit from continuing operations before non-recurring items and the amortisation of intangibles Non-recurring items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them are highlighted to help provide a better indication of the Group's underlying business performance Non-recurring items include, but are not limited to, impairments of fixed assets, sales of fixed assets, restructuring costs, integration costs, provision for onerous contracts and stock write-offs

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively for resale

Classification as a discontinued operation occurs upon disposal (sale or closure) or when the operation meets the criteria to be held for sale, if earlier

Once an operation no longer meets the criteria as held for sale it is no longer treated as discontinued and is included in continuing operations for the current period The income statement for the prior period is re-presented to include the operation within continuing operations in that period

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses during the period In the process of applying the Group's accounting policies which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements

Pensions
Note 24 describes the detailed assumptions in arriving at the actuarial valuation of the defined benefit assets and related obligations The note also sets out the amounts included in financial statements in relation to the schemes Whilst the assumptions used are considered to be appropriate, a change in the assumptions could impact the amounts recorded in the income statement and balance sheet in respect of pensions

Impairment testing
The Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the assets are impaired Where impairment testing is performed using value in use calculations, management are required to apply judgement in determining the timing and value of expected future cash flows Subsequent changes to these estimates may impact the value in use of the assets concerned

Provisions
The Group has certain vacant properties and other property leases which are sub-let where management are required to apply judgement in determining whether the leases include onerous commitments which should be provided for Subsequent changes in the circumstances of the individual properties may impact the level of the provision required

3 Segmental information

Segmental information is presented in respect of the Group's business and geographical segments The primary format is based on the Group's management and internal reporting structure and as such is based on business segments

Segment revenues, expenditure, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis Unallocated items comprise mainly corporate items, taxation and financing items

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period

Business segment
The Group comprises the following main business segments

- LabSciences - The preparation of non-cellular samples prior to analysis, including environmental applications Products include cellulose and glass filtration media, membranes, chromatography, syringe filters, capsules, other encapsulated products and microbiological products,
- MedTech - Comprises components supplied on an OEM (Original Equipment Manufacturer) basis to manufacturers of medical devices and clinical diagnostic tests
- BioScience - The preparation of cellular samples prior to analysis and storage for study of nucleic acids or proteins It comprises our FTA product, multiwell plates, our Biometra business, electrophoresis, protein micro-arrays, blotting and neo-natal paper

Geographical segments
The business segments above are managed on a worldwide basis, but operate in three principal geographical areas, Europe, North America and Asia Pacific

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers Segment assets are based on the geographical location of the assets

Business segments	LabSciences		BioScience		MedTech		Unallocated		Total	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Revenue	**68 1**	69 4	**29 5**	31 5	**17 9**	20 0	**-**	-	**115 5**	120 9
Underlying operating profit	**19 2**	19 3	**4 2**	5 9	**0 7**	2 6	**-**	-	**24 1**	27 8
Non-recurring items	**(6 7)**	(0 7)	**(1 2)**	8 7	**(1 3)**	-	**(3 7)**	-	**(12 9)**	8 0
Amortisation	**(0 1)**	(0 1)	**(0 4)**	(0 4)	**-**	-	**-**	-	**(0 5)**	(0 5)
Operating profit	**12 4**	18 5	**2 6**	14 2	**(0 6)**	2 6	**(3 7)**	-	**10 7**	35 3
Finance expense									**(4 8)**	(4 4)
Finance income									**3 8**	3 7
Profit before tax									**9 7**	34 6
Taxation									**(3 4)**	(9 7)
Profit for the year attributable to shareholders									**6 3**	24 9

Unallocated items are those non-recurring items which are not attributable to an individual business segment and relate to the Group as a whole These relate principally to Board re-organisation and strategic review costs (see note 4)

Business segments	LabSciences		BioScience		MedTech		Unallocated		Total	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Segment assets	**67 4**	69 4	**29 4**	34 6	**19 3**	18 9	**15 8**	9 2	**131 9**	132 1
Segment liabilities	**(31 0)**	(33 6)	**(13 1)**	(13 1)	**(9 1)**	(9 9)	**(8 4)**	(3 5)	**(61 6)**	(65 0)
Depreciation, impairment and amortisation of non-current assets	**4 2**	2 2	**1 3**	1 3	**0 7**	0 6	**-**	0 1	**6 2**	4 2
Other significant non-cash items	**4 5**	-	**1 2**	(9 8)	**0 9**	(0 2)	**0 6**	-	**7 2**	10 0
Capital expenditure	**2 4**	3 5	**1 0**	1 4	**0 7**	1 0	**-**	-	**4 1**	5 9

There are no inter-segment sales Other significant non-cash items in 2006 related principally to a £9 1 million release of the Biometra provision and a £1 2 million credit in relation to the A-Day effect on pensions In 2007 other significant non-cash items relate principally to increases in provisions

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents Segment liabilities comprise operating liabilities together with an apportionment of borrowings

Geographical segments	Europe		North America		Rest of World		Total	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Continuing operations								
Revenue	**49 6**	53 9	**45 4**	48 2	**20 5**	18 8	**115 5**	120 9
Segment gross assets	**76 0**	81 1	**44 6**	46 0	**11 3**	5 0	**131 9**	132 1
Capital expenditure	**1 7**	2 9	**1 1**	2 9	**1 3**	0 1	**4 1**	5 9

4 Underlying operating profit

Operatıng profit ıs stated after chargıng or credıtıng ıtems whıch are "non-recurrıng" ın nature These ıtems represent sıgnıficant ıtems of ıncome and expense whıch due to theır nature or the expected ınfrequency of the events gıvıng rıse to them are hıghlıghted to help provıde a better ındıcatıon of the Group's underlyıng busıness performance Non-recurrıng ıtems ınclude, but are not lımıted to, ımpaırments of fixed assets, sales of fixed assets, restructurıng costs and ıntegratıon costs, provısıon for onerous contracts and stock wrıte-offs

Underlyıng operatıng profit ıs defined as operatıng profit from contınuıng operatıons before non-recurrıng ıtems and the amortısatıon of ıntangıbles The Group belıeves thıs to be a useful measure of underlyıng busıness performance A reconcılıatıon between operatıng profit and underlyıng operatıng profit ıs set out below

	Note	2007 £m	2006 £m
Operatıng profit as reported		**10 7**	35 3
One-off ıncome	(a)	-	(0 7)
Exceptıonal stock adjustment	(b)	-	3 0
Pensıon A-day	(c)	-	(1 2)
Bıometra provısıon release	(d)	-	(9 1)
Board re-organısatıon	(e)	1 1	-
Closure of head office	(f)	0.3	-
Restructurıng costs	(g)	1.6	-
Strategıc revıew	(h)	2 1	-
Onerous contracts	(ı)	4 3	-
Impaırment of assets	(j)	3 3	-
Other		0 2	-
Total non-recurrıng ıtems charged to operatıng profit	(k)	12.9	(8 0)
Amortısatıon of ıntangıbles		0 5	0 5
Underlyıng operatıng profit		**24 1**	27 8

a) One-off ıncome ın 2006 related to £0 6 mıllıon of deferred consıderatıon from the sale of the filter cartrıdge busıness and £0 1 mıllıon on property dısposals

b) In 2006 cost of sales ıncluded a one-off stock provısıon of £2 7 mıllıon, whıch arose followıng a revıew of Group stock levels

c) Included ın admınıstratıve expenses ın 2006 ıs a one-off gaın arısıng from a change ın the Group's method of actuarıal costıng of lump sum benefits payable to members of the UK approved defined benefit pensıon scheme

d) Followıng the conclusıon of lıtıgatıon agaınst our Bıometra busıness, part of our BıoScıence busıness segment, a provısıon held amountıng to £9 1 mıllıon was released

e) Included ın admınıstratıon expenses are one-off charges ın relatıon to the Board re-organısatıon durıng the year Included ın thıs amount ıs £0 6 mıllıon ın relatıon to accelerated share optıon charges

f) Included ın admınıstratıve expenses are the costs of closıng the Group's former head office ın Brentford, UK

g) Included ın sales and marketıng expenses are the costs of restructurıng our sales and marketıng operatıons

h) Followıng the announcement of the strategıc revıew ın September 2007, legal and professıonal costs have been ıncurred and are ıncluded wıthın admınıstratıve expenses

ı) Durıng 2007 the Group's contractual commıtments were revıewed and provısıon has been made for those contracts whıch have been ıdentıfied as beıng onerous Gıven the level of ınterest and marketabılıty of certaın leasehold propertıes, management consıdered ıt approprıate to ıncrease the level of provısıon held for these sıtes Thıs has been ıncluded ın admınıstratıve expenses In addıtıon, ıncluded ın cost of sales are charges of £1 1 mıllıon ın relatıon to onerous contracts where the Group produces and sells products at a loss under the current contractual terms These were ıdentıfied durıng the strategıc revıew

j) Included ın admınıstratıon costs ıs £2 3 mıllıon ın relatıon to asset ımpaırments ıdentıfied durıng the strategıc revıew Included ın cost of sales ıs a one-tıme wrıte down of £1 0 mıllıon ın relatıon to stock wrıte downs and stock samples held by sales teams

k) In addıtıon to non-recurrıng ıtems of £12 9 mıllıon whıch have been charged ın arrıvıng at operatıng profit, non-recurrıng finance costs of £0 1 mıllıon have been ıncurred from the accelerated amortısatıon of ıssue costs on bank loans These costs have been ıncluded wıthın finance expenses

5 Administrative expenses and other operating income

Administrative expenses
A reconciliation between administrative expenses and underlying administrative expenses is set out below

		Group	
		2007	2006
	Note	**£m**	£m
Administrative expenses as reported		**20.7**	11 0
Non-recurring items	4	**(9 2)**	0 9
Amortisation of intangibles		**0 5**	0 5
Underlying administrative expenses		**12 0**	12 4

Other operating income

	Group		Whatman plc	
	2007	2006	**2007**	2006
Other operating income	**£m**	£m	**£m**	£m
Profit on disposal	-	0 7	-	-

The profit on disposal in 2006 relates to £0 6 million of deferred consideration from the sale of the Graver business and £0 1 million on property disposals

6 Acquisition

In December 2006 the Group established a cooperative joint venture limited liability company, Whatman-Xinhua Limited which is incorporated in China and manufactures, develops and markets filter paper and related products The arrangement is described as a joint venture based upon the commercial cooperative nature of the venture but it does not meet the definition of a joint venture in accordance with IAS 31 ("Interests in joint ventures") Under the terms of the joint venture contract the Group has an interest in 75% of the share capital of Whatman-Xinhua Limited and in accordance with IFRS 3 ("Business Combinations") the business combination has been accounted for as an acquisition using the purchase method of accounting The remaining 25% interest in the share capital of Whatman-Xinhua Limited is held by Hangzhou Paper Industry Co Limited Whatman-Xinhua Limited commenced trading on 2 July 2007

No consideration was paid by the Group to establish Whatman-Xinhua Limited Instead, both parties to the joint venture arrangement have agreed to contribute cash or assets at their fair value in return for equity in a ratio to maintain an equity split of 75% to 25% During the year ended 31 December 2007 an aggregate of £2 0 million of assets (comprising cash of £1 3 million, property, plant and equipment of £0 6 million and inventory of £0 1 million) had been transferred to Whatman-Xinhua Limited by both parties, of which cash of £0 9 million was contributed by the Group and a minority interest of £0 9 million is recorded in the consolidated balance sheet (see note 31) At 31 December 2007, the Group had a commitment to contribute a further £2 1 million in cash to Whatman-Xinhua Limited in return for the issue of additional share capital in that company

In establishing Whatman-Xinhua Limited, the Group has incurred legal and professional fees of £1 0 million which have been recognised as a cost of the acquisition Additionally, contingent consideration is payable by the Group to the joint venture partner dependent on the performance of the joint venture over a three year period An estimate of the future contingent consideration payable, amounting to £1 6 million has been included in the total cost of the acquisition Goodwill arising on the acquisition amounts to £2 6 million

In the year ended 31 December 2007, this acquisition contributed £1 4 million to revenue and £0 1 million to operating profit and profit after tax The profit for the year attributable to the minority interest was £nil

7 Finance income and costs

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Finance income				
From bank deposits	**0 5**	0 5	**0 1**	-
Expected return on pension assets	**3 3**	3 2	**-**	-
Dividend income	**-**	-	**50 0**	10 1
Intercompany interest	**-**	-	**10 1**	10 7
	3 8	3 7	**60 2**	20 8
Finance costs				
Interest payable on bank borrowings	**(1 3)**	(1 3)	**(1 3)**	(1 3)
Unwind of discount on provisions (see note 26)	**(0.1)**	-	**-**	-
Amortisation of issue costs of bank loan	**(0 2)**	(0 1)	**(0 2)**	(0 1)
Interest on pension liability	**(3 2)**	(3 0)	**-**	-
Intercompany interest	**-**	-	**(10 2)**	(8 9)
	(4 8)	(4 4)	**(11 7)**	(10 3)
Net finance costs	**(1 0)**	(0 7)	**48.5**	10 5

8 Profit before taxation

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
The following items have been charged/(credited) to the income statement in arriving at profit before taxation				
Staff costs (see note 9)	**33 7**	31 7	**-**	-
Depreciation of property, plant and equipment	**4 1**	3 7	**0 1**	0 1
Impairment of property, plant and equipment	**1 6**	-	**-**	-
Amortisation of intangibles	**0 5**	0 5	**0 1**	0 1
Cost of inventories included in cost of sales	**51 2**	51 7	**-**	-
Write down of inventories included in cost of sales	**1 0**	3 0	**-**	-
Trade receivables impairment losses	**0 3**	0 2	**-**	-
Total exchange differences recognised	**(1 9)**	(1 0)	**0 8**	(2 6)
Release of unutilised provision	**-**	(9 1)	**-**	-
Loss/(profit) on disposal of fixed assets	**0 9**	(0 1)	**-**	-
Other operating lease payments				
- other	**0 4**	0 4	**-**	-
- land and buildings	**1 3**	1 4	**-**	-
Non-recurring items				
- charged to operating profit (see note 4)	**12 9**	(8 0)	**3 3**	-
- charged to finance costs (see note 4 (k))	**0 1**	-	**-**	-
Share based payments	**1 5**	0 9	**0 1**	(0 3)

Services provided by the Group's auditors and network firms

During the year the Group (including overseas subsidiaries) obtained the following services from the Group auditors as detailed below

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Audit services				
- Fees payable to the Company's auditors for the audit of Parent Company and consolidated accounts	**0 1**	0 1	-	-
Other services				
Fees payable to the Company's auditors and its associates for other services				
- The audit of Company's subsidiaries pursuant to legislation	**0 3**	0 3	-	-
- Other assurance services	**0 2**	0 2	-	-
- Tax services	**0 3**	0 2	-	-
	0 9	0 8	-	-

The Whatman plc audit fee is borne by other Group companies Included in the above fees are amounts paid to the Group's auditors in respect of non-audit services in the UK of £0 4 million (2006 £0 4 million)

9 Employees

The average number of persons employed by the Group (including Directors) during the year, analysed by business segment and geographical segment, was as follows

	Number of employees	
	2007	2006
Business segment		
LabSciences	**580**	510
BioScience	**255**	246
MedTech	**207**	184
	1,042	940
Geographical segment		
North America	**315**	285
Europe	**589**	603
Asia Pacific	**138**	52
	1,042	940

The aggregated payroll costs were as follows	**2007** **£m**	2006 £m
Wages and salaries	**26 9**	26 2
Social security costs	**3 8**	4 0
Contribution to defined contribution pension plans	**0 9**	1 0
A-day pension credit	-	(1 2)
Defined benefit pension scheme costs charged to operating profit	**0 6**	0 8
Share based payments	**1 5**	0 9
	33 7	31 7

There were no direct employees of Whatman plc during the year (2006 nil)

10 Directors' emoluments

Details of remuneration, interest in shares, share options and compensation for loss of office for each Director are given in the Report of the Remuneration Committee on pages 20 to 26

11 Taxation

Analysis of taxation charge/(credit) in period

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Current tax charge/(credit)				
Current tax charge/(credit) on income for the period	**4 2**	7 4	**(2 3)**	-
Adjustments in respect of prior periods	-	0 8	**(0 2)**	0 7
Total current tax charge/(credit)	**4 2**	8 2	**(2 5)**	0 7
Deferred tax (credit)/charge				
Origination and reversal of temporary timing differences	**(0.4)**	0 9	-	0 2
On share based payments	**(0.5)**	0 1	-	0 1
On net pension interest income and expense	**0.1**	0 5	-	-
Total deferred tax (credit)/charge	**(0 8)**	1 5	-	0 3
Total income tax charge/(credit) in income statement	**3 4**	9 7	**(2 5)**	1 0
Relating to				
UK tax	**(0.3)**	2 1	**(2 5)**	1 0
Overseas tax	**3.7**	7 6	-	-
Total income tax charge/(credit) in income statement	**3 4**	9 7	**(2 5)**	1 0
Relating to				
Tax (credit)/charge on non-recurring items	**(3 2)**	1 9	**(1 0)**	-
Tax charge/(credit) on other items	**6 6**	7 8	**(1 5)**	1 0
Total income tax charge/(credit) in income statement	**3 4**	9 7	**(2 5)**	1 0

Tax recognised directly in equity

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Relating to equity-settled transactions	**0.7**	0 1	**0 2**	0 2
Relating to actuarial gains on pension scheme	**1.1**	(0 9)	-	-
On net investment hedge	**(0 2)**	(0 2)	-	-
Relating to derivative financial instruments	**(0 4)**	-	-	-
Total income tax charge/(credit) in equity	**1 2**	(1 0)	**0.2**	0 2

Reconcılıatıon of effectıve tax rate
The tax charge for the penod ıs hıgher (2006 lower) than the standard rate of corporatıon tax ın the UK 30% (2006 30%) The dıfferences are explaıned below

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Profit on ordınary actıvıtıes before tax	**9 7**	34 6	**41 8**	10 6
Current tax at 30% (2006 30%)	**2 9**	10 4	**12 5**	3 2
Effects of				
Expenses not deductıble for tax purposes	**0 2**	-	-	-
Changes ın tax rates	**0 1**	-	-	-
Income not subject to tax	**(0 6)**	-	**(15 0)**	(3 0)
Utılısatıon of tax losses	-	(1 2)	-	-
Unrelıeved losses ın the penod	**1 1**	0 1	-	-
Foreıgn tax rates	**(0 2)**	0 8	-	-
Adjustments to tax charge ın respect of prevıous penods	**(0 1)**	(0 3)	-	0 7
Other effects	-	(0 1)	-	0 1
Total ıncome tax charge/(credıt) ın ıncome statement	**3 4**	9 7	**(2 5)**	1 0

12 Dıvıdends

	Whatman plc	
	2007	2006
	£m	£m
Intenm dıvıdend paıd ın respect of current year 2 18p (2006 2 1p) per 1p share	**2 9**	2 8
Fınal dıvıdend paıd ın respect of pnor year 3 48p (2006 3 16p) per 1 p share	**4 6**	4 1
	7 5	6 9

The terms of the offer from GE Healthcare Lıfe Scıences Lımıted ("GEHL") were made on the basıs that the Board dıd not declare or pay a final dıvıdend although the Board reserves the nght to propose a final dıvıdend ın respect of 2007 at the Annual General Meetıng ın the unlıkely event that the tımetable for the proposed acquısıtıon of Whatman plc by GEHL ıs delayed beyond that date An amount equal to 5 pence per share, attnbutable to a second ıntenm dıvıdend, has been ıncluded ın the 270 pence per share pnce offered by GEHL

13 Earnings per share

Earnings per share (expressed in pence per share)	**2007**	2006
- Basic	**4 79p**	19 03p
- Diluted	**4 78p**	18 73p
- Underlying basic	**12 62p**	14 75p
- Underlying diluted	**12 59p**	14 52p

The calculation of basic earnings per share at 31 December 2007 was based on a profit attributable to ordinary shareholders of £6 3 million (2006 £24 9 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2007 of 131,493,000 (2006 130,842,000), calculated as follows

Weighted average number of ordinary shares	**2007 Number '000**	2006 Number '000
Issued ordinary shares at 1 January	**131,523**	130,541
Effect of own shares issued under share option schemes	**259**	594
Effect of own shares held	**(289)**	(293)
Weighted average number of ordinary shares at 31 December	**131,493**	130,842

The calculation of diluted earnings per share at 31 December 2007 was based on a profit attributable to ordinary shareholders of £6 3 million (2006 £24 9 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2007 of 131,859,000 (2006 132,937,000), calculated as follows

Weighted average number of ordinary shares (diluted)	**2007 Number '000**	2006 Number '000
Weighted average number of ordinary shares at 31 December (as above)	**131,493**	130,842
Effect of dilutive share options	**366**	2,095
Weighted average number of ordinary shares (diluted) at 31 December	**131,859**	132,937

Underlying earnings per share

The calculation of underlying basic earnings per share and underlying diluted earnings per share is based on the underlying profit attributable to ordinary shareholders and the respective weighted average number of ordinary shares noted above

Underlying profit attributable to shareholders	**2007 £m**	2006 £m
Profit attributable to ordinary shareholders	**6 3**	24 9
Non-recurring items – charged to operating profit	**12 9**	(8 0)
Non-recurring items – charged to finance costs	**0 1**	-
Amortisation of intangibles	**0 5**	0 5
Taxation in respect of non-recurring items and amortisation	**(3 2)**	1 9
Underlying profit attributable to shareholders	**16 6**	19 3

14 Goodwill and intangible fixed assets

	Group				Whatman plc
	Goodwill £m	Patents, trade-marks and licences £m	Computer software £m	Total intangibles £m	Licences £m
Cost					
At 1 January 2006	41 7	7 0	0 9	49 6	2 2
Differences on exchange	(1 5)	(0 2)	-	(1 7)	-
At 31 December 2006	40 2	6 8	0 9	47 9	2 2
Amortisation					
At 1 January 2006	(7 4)	(1 8)	(0 7)	(9 9)	(0 7)
Differences on exchange	0 3	-	-	0 3	-
Charged in year	-	(0 5)	-	(0 5)	(0 1)
At 31 December 2006	(7 1)	(2 3)	(0 7)	(10 1)	(0 8)
Net book value					
At 31 December 2006	33 1	4 5	0 2	37 8	1 4
Cost					
At 1 January 2007	40 2	6 8	0 9	47 9	2 2
Differences on exchange	2 3	0 1	-	2 4	-
Additions	2 6	-	-	2 6	-
At 31 December 2007	**45 1**	**6 9**	**0 9**	**52 9**	**2 2**
Amortisation					
At 1 January 2007	(7 1)	(2 3)	(0 7)	(10 1)	(0 8)
Differences on exchange	0 2	-	-	0 2	-
Charged in year	-	(0 4)	(0 1)	(0 5)	(0 1)
At 31 December 2007	**(6 9)**	**(2 7)**	**(0 8)**	**(10 4)**	**(0.9)**
Net book value					
At 31 December 2007	**38 2**	**4 2**	**0 1**	**42 5**	**1 3**

Goodwill arising on business combinations is not amortised, but is reviewed for impairment on an annual basis or if there is any indication that the goodwill may be impaired Goodwill is allocated to cash generating units

Included in the Group's patents, trademarks and licences are FTA licences with a net book value of £1 8 million (2006 £2 0 million) The remaining amortisation period for these licences is 9 years (2006 10 years) All of the intangible assets within Whatman plc relate to FTA licences

Impairment testing for cash generating units containing goodwill

The following cash generating units have significant carrying amounts of goodwill

	2007 £m	2006 £m
US	**17 4**	15 9
Germany	**17 2**	16 2
China	**2 6**	-
UK	**1 0**	1 0
	38 2	33 1

The recoverable amounts of goodwill in the cash generating units is based on value in use calculations Those calculations use cash flow projections based on actual operating results, the 2008 budget and the Group's strategic plan for the period to 31 December 2011 Cash flows beyond 2011 are based upon estimated long term average growth rates A terminal value is calculated based on cash flows in perpetuity Pre-tax discount rates of between 8 and 11% have been used in discounting the cash flows

The discounted cash flows exceed the carrying amount of goodwill in the units and therefore no impairment has arisen The key assumptions used in the value in use calculations are those regarding discount rates, growth rates and expected changes in gross margins The discount rate is estimated using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash generating units The growth rates and changes in gross margin are based on past performance and expectations of market developments

15 Property, plant and equipment

	Group			Whatman plc	
	Land and buildings £m	Plant and machinery £m	Total £m	Land and buildings £m	Total £m
Cost					
At 1 January 2006	15 4	54 4	69 8	6 6	6 6
Differences on exchange	(0 4)	(1 9)	(2 3)	-	-
Additions	0 9	5 0	5 9	-	-
Disposals	(0 3)	(2 0)	(2 3)	-	-
Transfers between categories	0 9	1 2	2 1	-	-
At 31 December 2006	16 5	56 7	73 2	6 6	6 6
Depreciation					
At 1 January 2006	(2 0)	(36 3)	(38 3)	(0 4)	(0 4)
Differences on exchange	-	1 1	1 1	-	-
Charge for year	(0 6)	(3 1)	(3 7)	(0 1)	(0 1)
On disposals	0 3	1 9	2 2	-	-
Transfers between categories	(0 7)	(1 1)	(1 8)	-	-
At 31 December 2006	(3 0)	(37 5)	(40 5)	(0 5)	(0 5)
Net book value					
At 31 December 2006	13 5	19 2	32 7	6 1	6 1
Cost					
At 1 January 2007	16 5	56 7	73 2	6 6	6 6
Differences on exchange	0 4	0 4	0 8	-	-
Additions	0 9	3 2	4 1	-	-
Disposals	(0 2)	(1 2)	(1 4)	-	-
Transfers between categories	0 6	(0 1)	0 5	-	-
At 31 December 2007	**18 2**	**59 0**	**77 2**	**6 6**	**6 6**
Depreciation					
At 1 January 2007	(3 0)	(37 5)	(40 5)	(0 5)	(0 5)
Differences on exchange	(0 2)	(0 2)	(0 4)	-	-
Charge for year	(0 7)	(3 4)	(4 1)	(0 1)	(0 1)
Impairment loss	-	(1 6)	(1 6)	-	-
On disposals	0 1	0 3	0 4	-	-
Transfers between categories	(0 4)	(0 1)	(0 5)	-	-
At 31 December 2007	**(4 2)**	**(42 5)**	**(46 7)**	**(0 6)**	**(0 6)**
Net book value					
At 31 December 2007	**14 0**	**16 5**	**30 5**	**6 0**	**6 0**

The transfers between items in 2006 relates to assets reclassified from available for sales investments In 2007 the transfers between items relate to re-classifications within property, plant and equipment categories

During the year ended 31 December 2007, following the Group's strategic review certain items of plant and machinery were identified as having a value in use of £nil, and accordingly an impairment loss has been recorded in respect of these assets The value in use has been determined by reference to the expected future cash flows arising from the use of the assets concerned

16 Investment in subsidiaries

Whatman plc	Shares in Group undertakings £m
Cost and net book value	
At 1 January 2006	47 5
Additions	0 9
At 31 December 2006	48 4
Cost and net book value	
At 1 January 2007	48 4
Additions	1 4
Transfers between Group undertakings	100 1
At 31 December 2007	**149 9**

The principal subsidiary undertakings of the Group and Company are shown in note 34

The additions in 2006 and 2007 relate to the recognition of share option awards to employees of subsidiary undertakings The transfers between Group undertakings relate to an internal group restructuring whereby Whatman plc became the parent company of certain Group companies which were previously owned by other Group companies This restructuring was required to facilitate the proposed share buy-back programme

17 Non-current assets held for sale

	Land and buildings £m	Group Total £m
Cost or valuation		
At 1 January 2006	2 0	2 0
Differences on exchange	(0 1)	(0 1)
Disposals	(1 9)	(1 9)
At 31 December 2006 and at 31 December 2007	-	-

18 Inventories

	Group		Whatman plc	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Raw materials and consumables	**6 3**	6 5	-	-
Work in progress	**4 0**	4 7	-	-
Finished goods and goods for resale	**6 1**	7 2	-	-
	16 4	18 4	-	-

Inventories are stated after deducting provisions for slow moving and obsolete items of £7 7 million (2006 £6 5 million)

19 Trade and other receivables

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Current				
Trade receivables	**21 3**	20 6	-	-
Less provision for impairment of trade receivables	**(0 6)**	(0 7)	-	-
	20 7	19 9	-	-
Amounts owed by Group undertakings	-	-	**38 3**	16 6
Other debtors	**1 5**	2 7	-	0 3
Prepayments and accrued income	**1 4**	0 9	-	-
	23 6	23 5	**38 3**	16 9

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable noted above The Group and Whatman plc do not hold any collateral as security

As at 31 December 2007, Group trade receivables of £21 0 million (2006 £20 1 million) were not impaired These relate to a number of customers for which there is no significant concentration of credit risk, where there is no recent history of default or any other indication that the receivable should not be fully collectible The ageing analysis of past due trade receivables which are not impaired is as follows

	2007	2006
	£m	£m
Up to 30 days	**4 6**	3 9
Between 30 and 60 days	**0 7**	1 1
Over 60 days	**0 3**	0 7
	5 6	5 7

Movements on the Group provision for impairment of trade receivables are as follows

	2007	2006
	£m	£m
At 1 January	**(0 7)**	(0 5)
Provision for receivables impairment	**(0 3)**	(0 2)
Receivables written-off during the year	**0 4**	-
At 31 December	**(0 6)**	(0 7)

The provision for impairment of trade receivables includes an allowance of £0 3 million (2006 £0 2 million) based upon a collective evaluation of historical loss experience for receivables with similar credit risk characteristics In addition, trade receivables amounting to £0 3 million (2006 £0 5 million) have been individually impaired when specific evidence is available which indicates that an impairment loss has arisen

	Group		Whatman plc	
	2007	2006	**2007**	2006
Trade and other receivables	**£m**	£m	**£m**	£m
Non-current				
Amounts owed by Group undertakings	-	-	**82 2**	152 6
Other debtors	**0 9**	0 8	-	-
	0 9	0 8	**82 2**	152 6

Non-current amounts owed by Group undertakings are interest bearing

The carrying amounts of trade and other receivables are denominated in the following currencies

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Current				
Sterling	**8 2**	8 1	**35 0**	14 2
Euro	**3 3**	5 0	**3 1**	0 8
US Dollar	**9 3**	8 4	**0 2**	1 9
Japanese Yen	**1 6**	1 0	**-**	-
Other	**1 2**	1 0	**-**	-
	23 6	23 5	**38 3**	16 9
Non-current				
Sterling	**-**	-	**17 7**	80 7
Euro	**0 9**	0 8	**57 4**	58 1
US Dollar	**-**	-	**7.1**	13 8
	0.9	0 8	**82 2**	152 6

20 Cash and cash equivalents

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Bank balances	**11.3**	15 2	**1.7**	1 3
Bank overdrafts	**(1 5)**	-	**(1 8)**	-
Net cash and cash equivalents in the statement of cash flows	**9 8**	15 2	**(0 1)**	1 3

21 Trade and other payables

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Current				
Trade payables	**4 7**	4 5	**-**	-
Amounts owed to Group undertakings	**-**	-	**202 8**	160 0
Other taxation and social security	**0 5**	0 4	**-**	-
Other creditors	**3 0**	2 1	**0.1**	-
Accruals and deferred income	**6 3**	5 7	**-**	-
	14.5	12 7	**202.9**	160 0
Non-current				
Other creditors	**0 7**	-	**-**	-

22 Current tax

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Current tax assets				
Income tax	**2 0**	0 7	**2 3**	1 0
Current tax liabilities				
Income tax	**6 7**	10 4	**-**	-

23 Financial liabilities - borrowings

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Current				
Unsecured bank loans due within one year	**-**	9 6	-	9 6
Non-current				
Unsecured bank loans due more than one year	**23 0**	20 5	-	20 5

The bank borrowings are denominated in the following currencies

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Foreign currency borrowings:				
Japanese Yen borrowings	**1 4**	1 3	-	1 3
Euro borrowings	**21 0**	28 8	-	28 8
	22 4	30 1	-	30 1
Sterling borrowings	**0 6**	-	-	-
	23 0	30 1	-	30 1

The effective interest rates at the balance sheet dates were as follows

	2007	2006
Bank borrowings	**5 06%**	3 82%

The bank borrowings are at floating rates of interest The Group enters into interest rate swaps as part of its interest rate management strategy as set out in note 28

At 31 December 2007 the Group had £57 0 million (2006 £15 6 million) of undrawn committed borrowing facilities

24 Retirement benefit obligations

Pensions

The Group operates a number of defined benefit or final salary schemes which are located mainly in the UK and Germany and a number of defined contribution schemes in several locations Of the defined benefit schemes only the UK approved scheme is funded The last actuarial valuation for the UK approved scheme and the German scheme was 6 April 2006 and 30 November 2004 respectively These valuations have been updated annually at 31 December of each subsequent financial year applying the major assumptions set out below The next full actuarial valuations are due in April 2009 and November 2008 for the UK and German schemes respectively

	Germany 2007	**UK approved 2007**	**UK other 2007**	Germany 2006	UK approved 2006	UK other 2006
Rate of increase in salaries	(a)	4 3%	4 3%	(a)	4 1%	4 1%
Rate of increase in pensions in payment and deferred pensions	2 0%	3 3%	3 3%	1 5%	3 1%	3 1%
Discount rate applied to scheme liabilities	5 4%	5 70%	5 70%	4 1%	5 12%	5 12%
Inflation assumption	2 0%	3 3%	3 3%	1 5%	3 1%	3 1%
Expected long-term return on plan assets	(b)	6 12%	(b)	(b)	5 87%	(b)

(a) The benefit obligation for all members is not dependent on salaries

(b) There are no plan assets for these schemes

The mortality rates assumed in the actuarial valuation of the UK approved scheme in 2006 are based on the PA92 YOB mc tables which are published tables setting out the UK forecast mortality rates

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

The assumption of 6 12% (2006 5 87%) for the expected long-term return on assets was based on the following

- Current level of expected return on risk free investments (primarily government bonds),
- The historical level of the risk premium associated with the other assets classes in which the portfolio is invested,
- The expectations for the future returns of each asset class

The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio

The mortality assumptions used in determining the pension liabilities for the UK approved scheme are equivalent to longevity for members as set out in the table below

Life expectancy (years)	**2007 Male**	**2007 Female**	2006 Male	2006 Female
Current pensioner aged 65	**86 9**	**89 8**	86 8	89 7
Future pensioner, currently aged 45	**88 0**	**90 8**	88 0	90 8

Movement in the benefit obligation during the year

	Germany £m	UK approved £m	UK other £m	Group £m
Benefit obligation at 1 January 2006	(8 2)	(55 3)	(0 7)	(64 2)
Transfer	(0 3)	-	-	(0 3)
Current service cost	-	(0 8)	-	(0 8)
Benefits paid	0 5	1 8	-	2 3
Plan members contributions	-	(0 2)	-	(0 2)
Past service cost	-	1 2	-	1 2
Interest cost	(0 4)	(2 6)	-	(3 0)
Actuarial (loss)/gain	(0 1)	0 3	(0 1)	0 1
Foreign exchange gain	0 3	-	-	0 3
Benefit obligation at 31 December 2006	(8 2)	(55 6)	(0 8)	(64 6)
Benefit obligation at 1 January 2007	**(8.2)**	**(55.6)**	**(0 8)**	**(64 6)**
Current service cost	**-**	**(0 6)**	**-**	**(0 6)**
Benefits paid	**0 6**	**2 1**	**-**	**2.7**
Plan members contributions	**-**	**(0 3)**	**-**	**(0 3)**
Interest cost	**(0 4)**	**(2 8)**	**-**	**(3 2)**
Actuarial gain	**0 8**	**0 7**	**-**	**1 5**
Foreign exchange loss	**(0 8)**	**-**	**-**	**(0 8)**
Benefit obligation at 31 December 2007	**(8 0)**	**(56 5)**	**(0 8)**	**(65 3)**

Movement in plan assets during the year

	Germany £m	UK approved £m	UK other £m	Group £m
Plan assets at 1 January 2006	-	56 2	-	56 2
Contributions paid by employees	-	0 2	-	0 2
Contributions paid by Company	0 5	0 4	-	0 9
Benefits paid	(0 5)	(1 8)	-	(2 3)
Expected return on pension assets	-	3 2	-	3 2
Actuarial loss	-	(3 2)	-	(3 2)
Plan assets at 31 December 2006	-	55 0	-	55 0
Plan assets at 1 January 2007	**-**	**55 0**	**-**	**55 0**
Contributions paid by employees	**-**	**0 3**	**-**	**0 3**
Contributions paid by Company	**0 6**	**0 5**	**-**	**1 1**
Benefits paid	**(0 6)**	**(2 1)**	**-**	**(2 7)**
Expected return on pension assets	**-**	**3 3**	**-**	**3 3**
Actuarial gain	**-**	**2 2**	**-**	**2 2**
Plan assets at 31 December 2007	**-**	**59.2**	**-**	**59 2**
Actual return on plan assets 2006	-	0 1	-	0 1
Actual return on plan assets 2007	**-**	**5 5**	**-**	**5 5**

(Deficit)/surplus in the schemes at the end of the year

	Germany £m	UK approved £m	UK other £m	Group £m
Deficit in the schemes at 31 December 2006	(8 2)	(0 6)	(0 8)	(9 6)
Deficit in the schemes at 31 December 2007	**(8 0)**	**-**	**(0 8)**	**(8 8)**
Surplus in the schemes at 31 December 2007	**-**	**2 7**	**-**	**2 7**

Scheme assets

The fair value of the scheme assets, which all relate to the UK approved scheme, are set out below

	2007	**Value at 2007**	2006	Value at 2006
	%	**£m**	%	£m
Equities	**50**	**29 6**	49	26 9
Bonds	**50**	**29 6**	51	28 1
Total market value		**59 2**		55 0

Analysis of other pension costs charged in arriving at operating profit

	Germany 2007 £m	UK 2007 £m	**Group 2007 £m**	Group 2006 £m
Current service cost	-	(0 6)	**(0 6)**	(0 8)
Past service costs (see below)	-	-	-	1 2
Net amount charged to operating profit	-	(0 6)	**(0.6)**	0 4

The credit in past service costs in 2006 arose from a change in the Group's method of actuarial costing of lump sum benefits payable to members of the UK approved defined benefit pension scheme

Analysis of amount charged to other finance costs

	Germany 2007 £m	UK 2007 £m	**Group 2007 £m**	Group 2006 £m
Expected return on pension assets	-	3 3	**3 3**	3 2
Interest on pension liability	(0 4)	(2 8)	**(3 2)**	(3 0)
Net (charge)/credit	(0 4)	0 5	**0 1**	0 2

Analysis of amounts recognised directly in reserves

	Germany 2007 £m	UK 2007 £m	**Group 2007 £m**	Group 2006 £m
At beginning of the year	(0 3)	0 2	**(0 1)**	3 0
Actuarial gain/(loss) for the year	0 8	2 9	**3 7**	(3 1)
At the end of the year	0 5	3 1	**3 6**	(0 1)

History of experience gains and losses – UK approved scheme

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Difference between expected and actual rate of return on scheme assets					
Amount	**2 2**	(3 2)	7 9	2 5	(0 4)
Percentage of scheme assets	**4%**	(6%)	14%	5%	(1%)
Experience gains and losses on scheme liabilities					
Amount	**0 7**	0 3	(6 6)	1 1	4 7
Percentage of scheme liabilities	**1%**	1%	(12%)	2%	10%
Total gains and losses					
Amount	**2 9**	(2 9)	1 3	3 6	(0 8)
Percentage of scheme liabilities	**5%**	(5%)	2%	8%	(2%)
Present value of defined benefit obligation	**(56 5)**	(55 6)	(55 3)	(47 0)	(46 5)
Fair value of plan assets	**59 2**	55 0	56 2	46 3	43 2
Surplus/(deficit)	**2 7**	(0 6)	0 9	(0 7)	(3 3)

History of experience gains and losses – German scheme

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Experience gains and losses on scheme liabilities	**0 8**	(0 1)	0 3	n/a	n/a
Percentage of scheme liabilities	**10%**	(1%)	2%	n/a	n/a
Present value of defined benefit obligation	**(8 0)**	(8 2)	(8 2)	(8 2)	n/a

Contributions in 2008

The Group expects to contribute the following amounts to the schemes in 2008

	UK approved £m	Germany £m	Total £m
Contributions	0 7	0 6	1 3

25 Share based payments

The Group has taken advantage of the transitional provisions of IFRS 1 and 2 which allow for share option arrangements granted before 7 November 2002 and vesting before 1 January 2005 to be exempt from the recognition and measurement principles of IFRS 2

The Group operates a number of share option schemes, all of which are equity settled schemes, and are summarised below

(a) Savings related share option scheme ("SAYE")

The Group operates a savings related share option scheme in the UK which permits the grant to employees of share options linked to a save-as-you-earn contract for a term of three years Options can be exercised at the end of the three year period at an exercise price of not less than 80% of the average of the middle market quotations of the Company's ordinary shares over the three dealing days immediately preceding the grant date The options lapse six months after they become exercisable The Group operates equivalent schemes for the Group's employees in Germany and the United States

(b) Integrated incentive plan ("IIP")

The integrated incentive plan permits the grant of options to participants in each year, determined according to an assessment of corporate and individual performance One third of each grant of options becomes exercisable three years after the date of grant, a further third becomes exercisable four years after the date of grant, and the final third becomes exercisable five years after the date of grant In each case, vesting of the awards is subject to performance criteria being that the average of the middle market quotations for the Company's ordinary shares over any period of twenty consecutive dealing days is at least 15% p a compound above the average of the middle market quotations over the five dealing days prior to the grant of the options The options ordinarily expire ten years after the grant date

(c) Long term incentive option scheme ("LTIOS")

The long term incentive option scheme was established for the former Chairman and was approved by shareholders at the Extraordinary General Meeting held on 30 November 2004 Under the scheme a single grant of 1,000,000 options was made on 30 November 2004 500,000 of these options became exercisable in January 2006 when there was an increase in the ordinary share price of 15% over the exercise price, the increase in price being an average measured over 60 consecutive trading days These were exercised on 31 January 2006 when the market price of ordinary shares was 286p per share The remaining 500,000 options were exercisable at an exercise price of 251 33p if there was an increase in the ordinary share price of 30% over the exercise price, the increase being an average measured over 60 consecutive trading days This performance criteria was not reached and the options lapsed upon the former Chairman's resignation

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP", expressed in pence per share) are as follows

	SAYE		IIP		LTIOS		Total	
Year ended 31 December 2007	Number of options	WAEP	Number of options	WAEP	Number of options	WAEP	Number of options	WAEP
At 1 January 2007	605,668	173 02	4,144,475	230 07	500,000	251 33	5,250,143	225 52
Granted	-	-	2,037,500	268 97	-	-	2,037,500	268 97
Exercised	(22,618)	144 47	(667,640)	146 89	-	-	(690,258)	146 81
Forfeited	(188,813)	173 78	(1,583,812)	242 43	(500,000)	251 33	(2,272,625)	238 68
At 31 December 2007	394,237	174 30	3,930,523	261 11	-	-	4,324,760	253 19
Exercisable at 31 December 2007	307,375	159 60	143,187	174 52	-	-	450,562	164 34
Exercise price range (pence)		159 60 to 226 33		110 80 to 307 67		-		110 80 to 307 67
Weighted average remaining contractual life (years)		0 64		8 13		-		7 45

Year ended 31 December 2006	SAYE Number of options	SAYE WAEP	IIP Number of options	IIP WAEP	LTIOS Number of options	LTIOS WAEP	Total Number of options	Total WAEP
At 1 January 2006	761,543	158 00	3,999,206	197 63	1,000,000	251 33	5,760,749	201 71
Granted	-	-	1,325,019	307 67	-	-	1,325,019	307 67
Exercised	(146,813)	101 41	(334,750)	194 96	(500,000)	251 33	(981,563)	209 68
Forfeited	(9,062)	70 93	(845,000)	212 13	-	-	(854,062)	210 63
At 31 December 2006	605,668	173 02	4,144,475	230 07	500,000	251 33	5,250,143	225 52
Exercisable at 31 December 2006	10,787	104 30	904,038	129 34	-	-	914,825	129 05
Exercise price range (pence)		104 30 to 226 33		86 70 to 307 67		251 33		86 70 to 307 67
Weighted average remaining contractual life (years)		1 62		7 28		7 92		6 69

The amount charged to the income statement during the year and the amount recorded in equity at the end of the year are set out below

	Group **2007** £m	Group 2006 £m	Whatman plc **2007** £m	Whatman plc 2006 £m
At 1 January	**2.4**	1 5	**1 3**	1 1
Charged to the income statement in the year	**1 5**	0 9	**0 1**	0 2
At 31 December	**3 9**	2 4	**1.4**	1 3

The national insurance liability on outstanding share options included in current liabilities amounted to £nil million (2006 £0 1 million)

Share options that were granted after 7 November 2002 or vest after 1 January 2005 have been valued using the Black-Scholes model for the SAYE scheme and the Monte Carlo valuation model for the other schemes Performance criteria were used in all schemes other than the SAYE schemes for which there are no performance criteria

Set out below are the assumptions used in determining the fair value of options granted in 2006 and 2007

	2007 IIP	2006 IIP
Expected volatility (%)	**30 0**	35 0
Risk free rate (%)	**5 17**	4 70
Expected dividend yield (%)	**1 79**	1 75
Expected life of option (years)	**5 0**	5 7
Option life (years)	**10 0**	10 0
% expected to vest	**70**	73
Weighted average fair value of options granted (pence)	**124 48**	101 81
Weighted average share price at date of grant (pence)	**279 48**	322 50
Weighted average exercise price (pence)	**268 97**	307 67

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) adjusted for any expected changes to future volatility due to publicly available information

Options on ordinary shares outstanding at 31 December 2007

	Number of options	Option exercise prices (pence)	Period exercisable
Integrated Incentive Plan 'A' ('tranche 1') options	1,225,826	110 80 to 307 67	2005 to 2017
Integrated Incentive Plan 'B' ('tranche 2') options	1,273,158	110 80 to 307 67	2005 to 2017
Integrated Incentive Plan 'C' ('tranche 3') options	1,431,539	110 80 to 307 67	2005 to 2017
2004 savings related share option scheme	223,526	159 60	2007 to 2008
2005 savings related share option scheme	64,416	226 33	2008 to 2009
2004 Whatman Inc savings related share option plan	83,849	159 60	2007 to 2008
2005 Whatman Inc savings related share option plan	17,574	226 33	2008 to 2009
2005 German savings related share option scheme	4,872	226 33	2008 to 2009
	4,324,760		

The weighted average share price for the year ended 31 December 2007 was £2 45 (2006 £2 94)

26 Provisions

	Group				Whatman plc
	Biometra £m	**Restructuring £m**	**Onerous contracts £m**	**Total £m**	**Total £m**
At 1 January 2006	-	2 7	1 7	4 4	-
Effect of changes in exchange rates	-	(0 2)	-	(0 2)	-
Utilised during year	-	(1 9)	(0 8)	(2 7)	-
Established in the year	-	0 1	-	0 1	-
Reclassification of provision from assets held for sale	9 7	-	-	9 7	-
Amounts released unused	(9 1)	-	-	(9 1)	-
At 31 December 2006	0 6	0 7	0 9	2 2	-
Current liabilities	0 6	0 7	0 4	1 7	-
Non-current liabilities	-	-	0 5	0 5	-
	0 6	0 7	0 9	2 2	-
At 1 January 2007	0 6	0 7	0 9	2 2	-
Effect of changes in exchange rates	-	0 1	-	0 1	-
Unwind of discounts on provisions	-	-	0 1	0 1	-
Utilised during year	(0 6)	(4 5)	(0 7)	(5 8)	-
Established in the year	-	5 2	4 3	9 5	-
At 31 December 2007	**-**	**1 5**	**4 6**	**6 1**	**-**
Current liabilities	-	1 5	1 5	3 0	-
Non-current liabilities	-	-	3 1	3 1	-
At 31 December 2007	**-**	**1 5**	**4 6**	**6 1**	**-**

Biometra was planned for closure during 2004 and the net assets together with closure costs were provided in full During 2005 Biometra was put up for sale and the assets and liabilities of Biometra were reclassified as held for sale The associated provision was also reclassified as held for sale During 2006 the Board discontinued the active marketing of Biometra as available for sale and the provision that was previously included in held for sale was reclassified back into provisions Following the conclusion of litigation against Biometra in 2006 the provision was released The remaining balance of the provision in 2006 was for final litigation payments and costs to remove the company from voluntary liquidation The provision was utilised in 2007

The restructuring provision at 31 December 2007 relates to restructuring of the business during the year and includes costs in connection with the Board re-organisation, the closure of the Group's head office and other re-organisation costs The provision is not discounted as the effect is immaterial

The onerous contracts provision relates to the costs of vacant properties from which the business has relocated, the costs of other onerous property leases and dilapidations and other onerous contracts identified following the Group's strategic review The provision has been discounted where the effect is material

27 Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet method The movement on the deferred tax account is shown below

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
At 1 January	**2 9**	3 8	**(0 4)**	0 1
Effect of changes in exchange rates	**-**	(0 2)	**-**	-
Amount credited/(charged) to income statement	**0 8**	(1 5)	**-**	(0 3)
(Charge)/credit to equity during the year	**(1 4)**	0 8	**(0 2)**	(0 2)
At 31 December	**2 3**	2 9	**(0 6)**	(0 4)

Deferred tax assets	Tax losses	Accelerated tax depreciation	Other timing differences	Total
	£m	£m	£m	£m
Group				
At 1 January 2006	2 4	0 1	1 7	4 2
Effect of changes in exchange rates	(0 1)	-	(0 2)	(0 3)
(Charge)/credit to the income statement for the year	(2 1)	(1 1)	1 9	(1 3)
Credit to equity during the year	-	-	0 3	0 3
At 31 December 2006	0 2	(1 0)	3 7	2 9
At 1 January 2007	0 2	(1 0)	3 7	2 9
(Charge)/credit to the income statement for the year	(0 1)	(0 6)	1 5	0 8
Charge to equity during the year	-	-	(1 4)	(1 4)
At 31 December 2007	**0 1**	**(1 6)**	**3 8**	**2 3**
Whatman plc				
At 1 January 2006	-	-	0 1	0 1
Credit to the income statement for the year	-	-	0 1	0 1
Charge to equity during the year	-	-	(0 2)	(0 2)
At 31 December 2006 and at 31 December 2007	-	-	-	-

A deferred tax asset of £5 9 million (2006 £5 0 million) in respect of trading losses has not been recognised Recovery of this amount is dependent on the profitability of relevant operations in the future, and at the balance sheet date it is not considered to be sufficiently probable that such taxable profits will be available

In accordance with IAS 12 ("Income taxes"), deferred tax has been measured based upon the rate of corporation tax which is expected to apply to the year of realisation or settlement based on tax rates enacted or substantively enacted at the balance sheet date The UK tax rate is reducing to 28% with effect from 1 April 2008 and the German tax rate is reducing to 30% with effect from 1 January 2008 and accordingly deferred tax balances have been reassessed at the balance sheet date based on these revised tax rates A deferred tax charge of £0 1 million has been recorded in the income statement as a result of these changes

Following the announcement made by the UK government in 2007, legislation to abolish industrial buildings allowances is expected to be enacted during 2008 If the legislation is enacted in accordance with the proposals published, the Group will incur a non-recurring deferred tax charge of £0 7 million during 2008

Deferred tax liabilities	**Accelerated tax depreciation**	**Other timing differences**	**Total**
Group	**£m**	**£m**	**£m**
At 1 January 2006	0 8	(0 4)	0 4
Effect of changes in exchange rates	-	(0 1)	(0 1)
(Credit)/charge to the income statement for the year	(0 8)	1 0	0 2
(Credit) to equity during the year	-	(0 5)	(0 5)
At 31 December 2006 and at 31 December 2007	-	-	-
Whatman plc.			
At 1 January 2006	-	-	-
Charge to the income statement for the year	0 2	0 2	0 4
At 31 December 2006	0 2	0 2	0 4
At 1 January 2007	0 2	0 2	0 4
Charge to equity for the year	-	0 2	0 2
Charge/(credit) to the income statement for the year	1 0	(1 0)	-
At 31 December 2007	**1.2**	**(0 6)**	**0 6**

The deferred tax (charge)/credit to equity during the year is as follows

	Group		**Whatman plc**	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Relating to equity-settled transactions	**(0 7)**	(0 1)	**(0 2)**	(0 2)
Relating to actuarial gains on pension schemes	**(1 1)**	0 9	-	-
Relating to derivative financial instruments	**0 4**	-	-	-
Deferred tax (charge)/credit to equity	**(1 4)**	0 8	**(0 2)**	(0 2)

28 Financial instruments

Financial risk management
The Group has significant operations outside the UK and its activities expose it to a variety of financial risks market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk The Group's overall risk management strategy seeks to limit the potential adverse effects of these risks on the Group's financial performance The Group operates its risk management strategy in accordance with policies set by the Board of Directors These policies are implemented centrally by Group treasury, and it is the Group's policy to use financial instruments, including certain derivative financial instruments, to hedge certain risk exposures The Board of Directors considers each of these risks on a regular basis, and financial derivative instruments are only permitted to be used to reduce risk and speculation is not permitted There have been no changes in these policies during the year

The main risks arising from the Group's activities are foreign currency risk, interest rate risk, liquidity risk and credit risk and these risks are discussed further below

(a) Market risk

(i) Foreign currency risk

The Group has a significant investment in overseas operations, primarily in the US and Continental Europe As a result, the Group's sterling balance sheet can be significantly affected by movements in the US Dollar and Euro exchange rates The Group seeks to reduce the effect of these currency exposures by matching its currency borrowings with the overseas foreign currency assets to the extent that total borrowings do not significantly exceed funding requirements Approximately 37% of the Group's investments in non-sterling operations are hedged in this way

The Group also has a transactional exposure with significant sales and a smaller element of purchases being made in a currency other than the functional currency of the operating units In addition, the Group has an exposure in translating the profits of overseas operations into sterling The Group's policy is to actively manage the transactional currency risk by covering up to 100% of the anticipated exposures in major foreign currencies for a period of up to one year using forward foreign exchange contracts

At 31 December 2007, if sterling had weakened by 10% against the US Dollar (with all other variables held constant), pre-tax profit for the year would have been £1 0 million (2006 £1 0 million) higher and equity would have been £2 7 million (2006 £3 1 million) higher mainly as a result of exchange differences on translation of the results and net assets of the Group's US operations

At 31 December 2007, if sterling had weakened by 10% against the Euro (with all other variables held constant), pre-tax profit for the year would have been £1 7 million (2006 £2 1 million) higher and equity would have been £2 0 million (2006 £2 8 million) higher mainly as a result of exchange differences on translation of the results and net assets of the Group's European operations

(ii) Interest rate risk

The Group finances its operations through a mixture of equity capital, retained profits, cash, bank overdrafts and bank borrowings The Group finances its acquisitions primarily through bank borrowings The Group borrows in the desired currencies mainly at floating rates of interest and uses interest rate swaps, as deemed appropriate, to achieve the desired profile of interest rate risk The Group's floating rate borrowings are denominated in sterling, in Euros and in Japanese Yen

At 31 December 2007, if interest rates on all floating rate borrowings had been 50 basis points higher (with all other variables held constant), pre-tax profit for the year would have been £0 1 million (2006 £0 2 million) lower and equity would have been £0 1 million (2006 £0 2 million) lower

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings The Group predominantly uses a medium term revolving credit facility from a small number of London banks In addition, the Group maintains undrawn committed borrowing facilities, after taking into account anticipated expenditure on acquisitions, of at least 10% of borrowing facilities, in order to provide flexibility in the management of the Group's liquidity Short term flexibility is achieved by the use of bank overdrafts and cash flows are monitored through the use of forecasts prepared on a monthly basis

(c) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks as well as credit exposures to customers The Group's objective is to minimise its exposure to credit risk The Group has implemented policies that require appropriate credit checks on potential trade customers before sales commence and at the balance sheet date there was no significant concentration of credit risk The credit risk on cash and cash equivalents, derivative financial instruments and bank deposits is limited as the counterparties are banks with credit ratings of A or above The maximum exposure to credit risk is represented by the carrying amounts of each financial asset, including derivative financial instruments, in the balance sheet

Numerical financial instrument disclosures are set out below

Group	Assets 2007 £m	Liabilities 2007 £m	Assets 2006 £m	Liabilities 2006 £m
Interest rate swaps	-	-	0 1	-
Forward foreign currency contracts and options	**0 1**	**(0 7)**	-	-
	0 1	**(0 7)**	0 1	-
Whatman plc.				
Interest rate swaps	-	-	0 1	-
Forward foreign currency contracts and options	-	-	-	-
	-	-	0 1	-

Net fair values of derivative financial instruments

	Group 2007 £m	Group 2006 £m	Whatman plc 2007 £m	Whatman plc 2006 £m
Interest rate swaps	-	0 1	-	0 1
Forward foreign currency contracts and options	**(0 6)**	-	-	-
	(0 6)	0 1	-	0 1

The net fair value losses at 31 December 2007 on open forward foreign exchange contracts and options that hedge the foreign currency risk of anticipated future sales in the next year are £0 6 million (2006 £nil million) The notional principal amount of outstanding forward foreign exchange contracts at 31 December 2007 was £16 3 million (2006 £nil) and the Group had outstanding options to sell foreign currency amounting to £11 5 million (2006 £nil)

There were no derivatives outstanding at the balance sheet date designated as fair value hedges (2006 nil)

Interest rate swaps
The notional principal amount of outstanding interest rate swap contracts at 31 December 2007 was £1 3 million (2006 £14 8 million) This amount represents the outstanding interest rate swap on the Group's Yen borrowings An interest rate swap in respect of Euro borrowings expired on 31 December 2007 This had the effect of fixing floating Euro LIBOR interest rates on Euro borrowings to a fixed rate of 2 45%

At 31 December 2007 the fixed interest rate was 1 94% (2006 1 94%) and floating rates are based on Yen LIBOR The gain deferred in equity during the year amounted to £nil million The gain will reverse in the income statement during the next year (being the life of the swap) There was no ineffectiveness recognised in the income statement in respect of cash flow hedges

Subsequent to the year end, further floating to fixed interest rate swaps have been entered into in respect of the Group's Euro borrowings The swap has a three year term and a notional principal amount of £12 5 million The fixed rate is 4 17% and the floating rate is based on Euro LIBOR

Hedge of net investment in foreign entities
The Group has Euro and Yen denominated borrowings which act as an economic hedge of the net investment in its subsidiaries in Europe and Japan The fair value of the Group's borrowings is set out below

	Group 2007 £m	Group 2006 £m	Whatman plc 2007 £m	Whatman plc 2006 £m
Sterling borrowings	**0 6**	-	-	-
Japanese Yen borrowings	**1 4**	1 3	-	1 3
Euro borrowings	**21 0**	28 8	-	28 8
	23 0	30 1	-	30 1

Foreign exchange losses of £1 3 million (2006 £0 5 million) on translation of the borrowings into sterling have been recognised in the currency translation reserve There was no ineffectiveness recognised in the income statement in respect of hedges of net investments in subsidiaries

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end foreign exchange rates

Fair values of non-current borrowings

Group	**Book value 2007 £m**	**Fair value 2007 £m**	Book value 2006 £m	Fair value 2006 £m
Long-term borrowings	**23 0**	**23.0**	20 5	20 5

Whatman plc	**Book value 2007 £m**	**Fair value 2007 £m**	Book value 2006 £m	Fair value 2006 £m
Long-term borrowings	**-**	**-**	20 5	20 5

Fair value of other financial assets and liabilities
Primary financial instruments held or issued to finance the Group's operations

	Book value 2007 £m	**Fair value 2007 £m**	Book value 2006 £m	Fair value 2006 £m
Group				
Short-term borrowings and overdrafts	**(1 5)**	**(1 5)**	(9 6)	(9 6)
Trade and other payables				
- non-current	**(0 7)**	**(0 6)**	-	-
- current	**(14 5)**	**(14 5)**	(12 7)	(12 7)
Trade and other receivables				
- non-current	**0 9**	**0 9**	0 8	0 8
- current	**23 6**	**23 6**	23 5	23 5
Cash at bank and in hand	**11 3**	**11.3**	15 2	15 2
Whatman plc				
Short-term borrowings and overdrafts	**(1 8)**	**(1 8)**	(9 6)	(9 6)
Trade and other payables	**(202 9)**	**(202.9)**	(160 0)	(160 0)
Trade and other receivables				
- non-current	**82 2**	**82 2**	152 6	152 6
- current	**38 3**	**38 3**	16 9	16 9
Cash at bank and in hand	**1 7**	**1 7**	1 3	1 3

The effective interest rates at the balance sheet dates for financial assets and financial liabilities were as follows

	2007	2006
Financial assets		
Cash at bank	**2 66%**	2 90%
Financial liabilities		
Bank borrowings	**5 06%**	3 82%

Maturity of financial liabilities
The maturity profile of the carrying amount of the Group's borrowings (based on contractual undiscounted cash flows), at 31 December was as follows

Group	**2007 £m**	2006 £m
Within one year	**0 1**	9 9
Between one and two years	-	9 6
Between two and five years	**23 0**	10 9
	23 1	30 4

Whatman plc	**2007 £m**	2006 £m
Within one year	-	9 9
Between one and two years	-	9 6
Between two and five years	-	10 9
	-	30 4

Included in the above analysis are contracted interest payments in respect of Group borrowings of £0 1 million (2006 £0 3 million) and £nil (2006 £0 3 million) in respect of Company borrowings

29 Called up share capital

	2007 Number	**2007 £m**	2006 Number	2006 £m
Authorised				
Ordinary shares of 1 pence each	180,000,000	1 8	180,000,000	1 8
Allotted, called up and fully paid				
Ordinary shares of 1 pence each	132,213,099	1 4	131,522,842	1 4

	Number	**Share capital £m**	**Share premium £m**	**Total £m**
At 1 January 2007	131,522,842	1 4	19 4	20 8
Share capital issued under share option schemes	690,257	-	1 1	1 1
At 31 December 2007	**132,213,099**	**1 4**	**20 5**	**21.9**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

30 Other reserves

Group	**Revaluation reserve £m**	**Currency translation reserve £m**	**Hedging reserve £m**	**Other reserves £m**	**Total other reserves £m**
At 1 January 2006	2 5	0 9	-	2 0	5 4
Exchange loss on translation of overseas net assets and results (net of net investment hedge)	-	(5 7)	-	-	(5 7)
At 31 December 2006	2 5	(4 8)	-	2 0	(0 3)

Group	**Revaluation reserve £m**	**Currency translation reserve £m**	**Hedging reserve £m**	**Other reserves £m**	**Total other reserves £m**
At 1 January 2007	2 5	(4 8)	-	2 0	(0 3)
Exchange loss on translation of overseas net assets and results (net of net investment hedge)	-	(0 3)	-	-	(0 3)
Cash flow hedges fair value losses in year	-	-	(0 9)	-	(0 9)
Tax on cash flow hedges	-	-	0 2	-	0 2
At 31 December 2007	**2 5**	**(5 1)**	**(0 7)**	**2 0**	**(1 3)**

Other reserves in the Group were established under the UK GAAP pronouncement UITF 17 "Employee Share Schemes", prior to the transition to IFRS, in relation to the fair value of share awards to employees This reserve is distributable to equity shareholders

31 Statement of changes in shareholders' equity

Group	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2006	1 4	17 4	5 4	30 5	54 7	-	54 7
Profit for the year	-	-	-	24 9	24 9	-	24 9
Charge in relation to share related awards	-	-	-	0 1	0 1	-	0 1
Premium on share issues, less expenses	-	2 0	-	-	2 0	-	2 0
Exchange loss on translation of overseas net assets and results	-	-	(5 7)	-	(5 7)	-	(5 7)
Actuarial loss recognised in the pension schemes	-	-	-	(3 1)	(3 1)	-	(3 1)
Deferred tax arising on actuarial loss in the pension schemes	-	-	-	0 9	0 9	-	0 9
Dividends	-	-	-	(6 9)	(6 9)	-	(6 9)
Own shares held issued to employees	-	-	-	0 2	0 2	-	0 2
At 31 December 2006	1 4	19 4	(0 3)	46 6	67 1	-	67 1

Group	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2007	1 4	19 4	(0 3)	46 6	67 1	-	67 1
Profit for the year	-	-	-	6 3	6 3	-	6 3
Charge in relation to share related awards	-	-	-	0 8	0 8	-	0 8
Premium on share issues, less expenses	-	1 1	-	-	1 1	-	1 1
Exchange loss on translation of overseas net assets and results	-	-	(0 3)	-	(0 3)	-	(0 3)
Actuarial gain recognised in the pension schemes	-	-	-	3 7	3 7	-	3 7
Deferred tax arising on actuarial gain in the pension schemes	-	-	-	(1 1)	(1 1)	-	(1 1)
Movement on hedging reserve	-	-	(0 7)	-	(0 7)	-	(0 7)
Arising on acquisition	-	-	-	-	-	0 9	0 9
Dividends	-	-	-	(7 5)	(7 5)	-	(7 5)
At 31 December 2007	**1 4**	**20 5**	**(1 3)**	**48 8**	**69 4**	**0 9**	**70.3**

Whatman plc	Share capital £m	Share premium account £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2006	1 4	17 4	3 2	2 0	7 7	31 7
Profit for the year	-	-	-	-	9 6	9 6
Movement in relation to share related awards	-	-	-	-	0 7	0 7
Premium on share issues, less expenses	-	2 0	-	-	-	2 0
Dividends	-	-	-	-	(6 9)	(6 9)
Own shares held issued to employees	-	-	-	-	0 2	0 2
At 31 December 2006	1 4	19 4	3 2	2 0	11 3	37 3

Whatman plc	Share capital £m	Share premium account £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2007	1 4	19 4	3 2	2 0	11 3	37 3
Profit for the year	-	-	-	-	44 3	44 3
Movement in relation to share related awards	-	-	-	-	1 2	1 2
Premium on share issues, less expenses	-	1 1	-	-	-	1 1
Dividends	-	-	-	-	(7 5)	(7 5)
At 31 December 2007	**1 4**	**20 5**	**3 2**	**2 0**	**49 3**	**76 4**

Other reserves in Whatman plc were established under the UK GAAP pronouncement UITF 17 "Employee Share Schemes", prior to the transition to IFRS, in relation to the fair value of share awards to employees This reserve is distributable to equity shareholders

32 Commitments

a) Operating lease commitments – minimum lease payments

Group	2007 Land and Buildings £m	2007 Other £m	2006 Land and Buildings £m	2006 Other £m
Operating leases which expire				
Within one year	1 8	0 2	1 3	0 3
In the second to fifth years inclusive	4 9	0 4	3 9	0 4
Over five years	1 6	-	1 8	-
	8 3	0 6	7 0	0 7

The Group leases a number of warehouses, factory and office space in locations around the world The leases vary and typically run for periods of less than 10 years with options to renew the lease after that date Lease payments are reviewed periodically and increased to reflect market rentals None of the leases include contingent rentals

b) Capital commitments

The Group has capital commitments at 31 December 2007 of £0 5 million (2006 £nil) Whatman plc has no capital commitments at either 31 December 2007 or at 31 December 2006

33 Reconciliation of profit for the year to net cash inflow/(outflow) from operating activities

	Group		Whatman plc	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Profit for the year	**6 3**	24 9	**44 3**	9 6
Taxation	**3 4**	9 7	**(2 5)**	1 0
Finance income	**(3 8)**	(3 7)	**(10 2)**	(10 7)
Dividend received	**-**	-	**(50.0)**	(10 1)
Finance costs	**4 8**	4 4	**11 7**	10 3
Depreciation	**4 1**	3 7	**0 1**	0 1
Amortisation	**0 5**	0 5	**0 1**	0 1
Loss/(profit) on disposal	**0 9**	(0 7)	**-**	-
Impairment of property, plant and equipment	**1 6**	-	**-**	-
Net movement in provisions	**3 9**	(12 9)	**-**	-
Share based payments	**1.5**	0 9	**0 1**	(0 3)
Net movement in pensions	**(0 5)**	(1 1)	**-**	(0 1)
Decrease in inventories	**2 0**	0 1	**-**	-
Decrease in debtors	**0 2**	0 3	**8 7**	0 1
Increase/(decrease) in creditors	**0 7**	(1 7)	**2 2**	0 1
Non cash effects of exchange rate changes	**(1.1)**	(1 2)	**0 9**	(3 0)
Cash inflow/(outflow) from operating activities	**24 5**	23 2	**5 4**	(2 9)
Analysed as				
Underlying cash inflow/(outflow) from operating activities	**29 4**	25 2	**5 4**	(2 9)
Cash outflow from non-recurring items	**(4 9)**	(2 0)	**-**	-
Cash inflow/(outflow) from operating activities	**24 5**	23 2	**5 4**	(2 9)

34 Principal subsidiary undertakings

Principal subsidiary undertakings	**Principal activities**	**Country of incorporation**
[1]Biometra Biomedizinische Analytik GmbH	Manufacturing, marketing and development	Germany
[1]Whatman Asia Pacific Pte Limited	Marketing	Singapore
[1]Whatman Finance Limited	Holding and financing	Ireland
[1]Whatman GmbH	Manufacturing, marketing and development	Germany
[1]Whatman Germany GmbH	Holding	Germany
[1]Whatman Holdings UK Limited	Holding	UK
[1]Whatman Inc	Manufacturing, marketing and development	US
[2]Whatman International Limited	Manufacturing, marketing and development	UK
[1]Whatman Ireland Limited SARL	Holding and financing	Ireland
Whatman Japan KK	Marketing	Japan
[1]Whatman-Xinhua Limited	Manufacturing, marketing and development	China
[1]Whatman Holdings Singapore Pte Limited	Holding	Singapore
[1]Whatman Scientific Limited	Financing	Ireland
[1]Whatman Holding Ireland Limited	Financing	Ireland
Whatman (One) Limited	Holding and financing	UK
[1]Whatman Finance UK Limited	Financing	UK

[1]Equity held by a subsidiary undertaking
[2]Both ordinary and preference shares held

100% of the votıng rıghts of all subsıdıary undertakıngs are held dırectly or ındirectly by Whatman plc, except for Whatman-Xınhua Lımıted where the Group holds 75% of the votıng rıghts All shares held are ordınary shares, except where noted

The Group owns a 24% ınterest ın Bıodot, Inc , a prıvate company ıncorporated ın Calıfornıa Bıodot ıs prıncıpally engaged ın the desıgn, assembly and sale of specıalıty bıodıagnostıc test manufacturıng equıpment, whıch ıs sold ın nıche markets ın the US, Europe and Asıa

The holdıng ın Bıodot, Inc was acquıred wıth the acquısıtıon of Schleıcher and Schuell GmbH ("S&S") ın 2004 at whıch poınt the ınvestment was valued at £nıl as no dıvıdend had been paıd sınce S&S acquıred Bıodot The ınvestment has been ımpaıred to £nıl and ıs not ıncluded ın the consolıdated results

35 Related party dısclosures

Group

On 21 December 2000, Schleıcher and Schuell GmbH ("S&S") made a loan of $240,000 to Bıodot Inc , whıch was due for repayment on 1 June 2001 On 1 August 2002 the unpaıd balance of thıs loan of $73,661 was exchanged for a three year 6% convertıble debenture wıth a conversıon rate of $5 00 per share Thıs balance was due for repayment or conversıon on 1 August 2005 and final payment was receıved ın 2007

Dr Kehler was a Dırector untıl 10 January 2006 and (through hıs majorıty shareholdıng ın ConCap Beteılıgungs und Vermogensverwaltungs GmbH) had beneficıal shareholdıngs ın a number of companıes whıch were prevıously subsıdıarıes of S&S but excluded from the acquısıtıon of S&S by the Group ın November 2004 These companıes are partıes to certaın contractual agreements wıth the Group for the supply of products and servıces and the receıpt of servıces from the Group for a transıtıon perıod whıch has expıred by 31 December 2007 These agreements were negotıated on an arms length basıs The total value of transactıons between the Group and these companıes between 1 January 2007 and 31 December 2007 ıs set out below

	2007 £m	2006 £m
Expendıture		
Purchase of goods	**2 4**	2 7

Amounts owed by and to these partıes at 31 December were

Amounts owed by	**-**	-
Amounts owed to	**0 2**	0 4

Whatman plc

Durıng the year Whatman plc carrıed out the followıng transactıons wıth other Group companıes

Transactıon	**2007 £m**	2006 £m
Income		
Inter company ınterest	**10 1**	10 7
Dıvıdend ıncome	**50 0**	10 1
	60 1	20 8
Expendıture·		
Management fees	**5 9**	2 8
Inter company ınterest	**10 2**	8 9

The balances outstanding at 31 December 2007 between Whatman plc and Group companies were as follows

	2007 £m	2006 £m
Current		
Amounts owed by subsidiary undertakings	**38 3**	16 6
Amounts owed to subsidiary undertakings	**202 8**	160 0
Non current		
Amounts owed by subsidiary undertakings	**82 2**	152 6

Key management compensation

The remuneration of the Directors, who are the key personnel of the Group, is set out in the Report of the Remuneration Committee The Directors also hold share options, and the charge for share based payments in respect of the Directors included in the consolidated income statement was £0 8 million (2006 £0 5 million)

36 Contingent liabilities

The Group has certain contingent liabilities that arise in the normal course of business, for example in relation to potential legal, environmental or regulatory claims At 31 December 2007 and at 31 December 2006, none of these are expected to give rise to a material exposure

37 Post balance sheet events

On 4 February 2008 the Group announced that it had reached agreement on the terms of a recommended acquisition by GE Healthcare Life Sciences Limited, a wholly owned subsidiary of General Electric Company, a company incorporated in the United States of America Under the terms of the transaction, each Whatman shareholder will receive 270 pence in cash for each Whatman share The proposed acquisition is subject to regulatory approval and approval by the Group's shareholders and it is intended that it will be implemented by way of a scheme of arrangement under English law A circular was dispatched to shareholders on 19 February 2008 setting out the full terms and conditions of the scheme of arrangement, an explanatory statement, together with action to be taken by the shareholders Subject to the satisfaction or waiver of the conditions of the scheme, it is currently expected that the scheme will become effective on 25 April 2008

Five year record

	2003	2004	2005	2006	**2007**
	Restated (a)		Re-presented (b)		
	£m	£m	£m	£m	**£m**
Revenue	83 8	76 4	116 6	120 9	**115 5**
Operatıng profit	13 4	3 1	22 7	35 3	**10 7**
Loss on busıness dısposal and closures	(10 6)	(1 1)	-	-	-
Profit before ınterest	2 8	2 0	22 7	35 3	**10.7**
Net ınterest	(0 2)	(1 5)	(1 3)	(0 7)	**(1 0)**
Profit before taxatıon	2 6	0 5	21 4	34 6	**9.7**
Taxatıon	(4 5)	(2 0)	(6 1)	(9 7)	**(3 4)**
(Loss)/profit attrıbutable to equıty shareholders	(1 9)	(1 5)	15 3	24 9	**6.3**
Dıvıdends paıd and proposed for the year (£m)	5 4	5 9	6 6	7 4	**2.9**
Net assets (£m)	46 9	38 5	54 7	67 1	**70.3**
(Loss)/earnıngs per share - basıc	(1 49p)	(1 17p)	11 82p	19 03p	**4 79p**
(Loss)/earnıngs per share - dıluted	(1 48p)	(1 15p)	11 63p	18 73p	**4 78p**
Dıvıdend per share	4 29p	4 61p	5 07p	5 58p	**7 18p***
Share prıce – hıgh	163 5p	269 0p	303 0p	329 0p	**298 0p**
Share prıce – low	66 1p	155 5p	233 0p	242 0p	**173 0p**
US Dollar exchange rate – at year end	$1 79	$1 92	$1 72	$1 96	**$1 99**
US Dollar exchange rate – average durıng the year	$1 64	$1 83	$1 81	$1 84	**$2 01**

* Includes an amount equal to 5 pence per share, attrıbutable to a second ınterım dıvıdend, which has been ıncluded ın the 270 pence per share offered by GE Healthcare Lıfe Scıences Lımıted

(a) Shareholders' funds were restated to reflect the change ın accountıng polıcy followıng the adoptıon of UITF 38 "Accountıng for ESOP trusts" ın 2003

(b) 2005 has been re-presented to ınclude Bıometra The busıness had been treated as held for sale and reported as a dıscontınued operatıon ın previously reported financıal ınformatıon

The financıal ınformatıon ıs presented under Internatıonal Fınancıal Reportıng Standards for the years endıng 31 December 2004, 2005, 2006 and 2007 Prıor to the year ended 31 December 2004 the financıal ınformatıon ıs presented under UK Generally Accepted Accountıng Prıncıples

Additional information

Financial calendar
Preliminary announcements of the results for the year are issued in March, annual reports are mailed to shareholders in May, final dividends are paid in May/June Interim statements for the year are issued in September, interim dividends are paid in November

Taxation of capital gains
For the purposes of Capital Gains Tax, the adjusted market value of the Company's shares at 31 March 1982 was 9 4p, following the sub-division of each Ordinary Share of 5p into 5 New Ordinary Shares of 1p each

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Numis Securities Limited

Solicitors
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Trademarks
'Whatman' is a registered trademark of Whatman International Limited

'Combichip', 'Easyclone', 'FAST', 'FTA', 'FTA Flute', 'Fusion 5', 'GD/X', 'MI Media' 'Mini-Uniprep', 'Purasil', 'Schleicher Schuell', 'S&S' and 'S&S 903' are also trademarks of companies within the Whatman Group

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