23 May 2017

Scapa Group plc
Preliminary Results

Scapa Group plc (AIM: SCPA), a global supplier of bonding solutions and manufacturer of adhesive-based products for the healthcare and industrial markets, today announces its Preliminary Results for the year ended 31 March 2017.

Financial Highlights:

- Revenue grew 13.3% to £279.6m (2016: £246.7m); 1.7% at constant fx
- Trading profit* increased 37.1% to £29.2m (2016: £21.3m); 18.2% at constant fx
- Trading profit* margins further improved to 10.4% (2016: 8.6%)
- Adjusted earnings per share** increased 39.6% to 14.8p (2016: 10.6p)
- Basic earnings per share of 11.6p (2016: 4.1p)
- Net debt of £16.1m (March 2016: £2.6m) after paying US$35m (£28.3m) for the acquisition of EuroMed
- Final dividend increased 14.3% to 2.0p (2016: 1.75p)

Operational Highlights:

Industrial

- Trading profit grew 66.4% to £17.8m; 45.9% at constant fx
- Margins increased to 10.4% (2016: 7.0%), reached strategic target of double-digit margin
- Swiss facility closed on time and on budget; delivered £1.0m profit benefit in H2 and expect to deliver an additional £1.0m in H1 of FY18
- Sale of Swiss land and building progressing and proceeds expected to exceed initial estimates
- Exiting Korean production

Healthcare

- Revenues increased 16.5% to £108.7m (2016: £93.3m); 5.0% at constant fx
- Trading profit increased 18.6% to £16.6m (2016: £14.0m); 4.4% growth at constant fx
- Full year margins at 15.3% (2016: 15.0%); H2 margin 16.3%
- Acquisition of EuroMed on 23 May 2016; fully integrated
- Three-year contracts renewed with two key OEMs
- £200m of revenue contracted

Commenting on the results Chief Executive, Heejae Chae said:

"We achieved some significant milestones during the year; Industrial delivered double-digit profit margins, Healthcare surpassed £100 million in revenue, and Scapa's market capitalisation exceeded £500 million. The financial accomplishments are the result of our relentless and uncompromising execution of the strategy. Whilst much has been achieved, we believe that much more potential remains to be fulfilled in both Healthcare and Industrial. We have set the goals for the next phase of our growth which we are confident that we can deliver. We continue to execute the strategy that we have outlined for both Healthcare and Industrial. We have a team with a strong track record of delivery. The Group is well positioned to leverage the recent accomplishments and continue to make further progress in the year ahead."

* Operating profit before amortisation of intangible assets, exceptional items and pension administration costs
** Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year

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CHAIRMAN'S LETTER

I am pleased to join Scapa at an important juncture in its journey that began with James Wallace, my predecessor. The evolution from an industrial tape company to a global adhesive technology-based company with two distinct businesses, each with an exciting strategy and outlook, has been impressive. During the past eight years, Scapa's share price has risen from £0.095 in March 2009 to £4.00 in May 2017, generating over £600m of shareholder value. As I review the results and accomplishments of the Group, I am very impressed with the volume and pace of the activities. However, I am equally impressed with the vision and opportunities that still remain to fully achieve Scapa's potential in both Healthcare and Industrial.

Great progress and potential

The Healthcare business has been transformed from a roll stock material supplier to market leader in turn-key solutions of adhesive based products. At an early stage we recognised the increasing trend towards outsourcing in our customers and positioned ourselves as the partner of choice to the leading global healthcare companies. Driven by pricing pressure and the need to accelerate time to market, our customers are looking for partners who not only provide materials and manufacturing but can provide turn-key solutions across their entire value chain, from product development to delivery of a finished product. Through continuous investment, including three successful acquisitions, the latest of which was EuroMed in May 2016, Scapa has built a comprehensive set of capabilities across the entire value chain. We have leveraged our unique proposition and developed strategic partnerships with global leaders such as Convatec and Johnson & Johnson. Today, we have long-term commercial agreements with our major healthcare customers that underpin £200m in revenue. We believe that the potential, driven by the fundamentals and dynamics of the healthcare market, is significant. The opportunities are demonstrated by the increasing pipeline of projects that we continue to build. Our challenge is to convert the projects into revenue through flawless execution. Equally, we must continue to develop additional capabilities, organically as well as through acquisitions, to further penetrate beyond the adhesive based value chain at our strategic customers. Our goal is to continue to accelerate the shift to higher value added business with Scapa's innovation and IP that will deliver higher margin and stronger partnerships with our customers who are growing and significant.

The Industrial business continues to deliver impressive results through focus on Return on Capital Employed (ROCE) and operational efficiency. This year it achieved the long-term objective of double-digit trading profit margins. The pressure sensitive market is large, diverse and mature. Estimated at over US$30 billion, its growth reflects the GDP of the markets. We recognised that to deliver the double-digit profit growth we could not rely solely on revenue growth, particularly given the uncertain and endemic macro environment. As such we outlined a self-help agenda focused on operational efficiency and asset optimisation. Our methodical and exceptional operational execution enabled us to deliver on our goal. We have, along the way, accumulated capabilities and competencies that are yielding significant results. Moreover, they are allowing us to expand our potential. We have reset our profit margin target to mid-teens which compares to the market leaders. We believe we can achieve our new goal by continuing to execute our self-help agenda. Furthermore, we believe that we can achieve above-market growth through focus on specific markets where we have competitive advantage.

Performance and dividend

The continued focus on execution against a consistent strategy outlined above produced another record year for the Group. Group revenue increased 13.3% to £279.6m (2016: £246.7m) and trading profit increased 37.1% to £29.2m (2016: £21.3m), with strong trading helped by a currency translation tailwind. On a constant currency basis, revenue and trading profit grew 1.7% and 18.2% respectively. Group margins increased to 10.4% from 8.6%. Adjusted earnings per share increased 39.6% to 14.8p (2016: 10.6p) and basic earnings per share was 11.6p (2016: 4.1p).

This year has seen a further strengthening of the Balance Sheet, including continued actions to manage the legacy pension scheme deficit. The UK deficit increased slightly to £23.8m as a result of the reduction in the discount rate, and the total deficit of £31.4m, including a number of small overseas schemes, is now less than 1x the EBITDA of the business. EBITDA comprises trading profit before depreciation.

The Group ended the year with net debt of £16.1m (2016: £2.6m), after the acquisition of EuroMed for US$35m (£28.3m) in May 2016. The business continues to focus on cash flow and working capital management.

Given the continuing progress and improved performance, the Board is proposing to increase the final and full year dividend by 14.3% to 2.0p (2016: 1.75p). Subject to approval of shareholders at the forthcoming Annual General Meeting the dividend will be paid on 18 August 2017 to shareholders on the register on 21 July 2017. The ex-dividend date is 20 July 2017.

Governance
As the Group continues to grow both organically and through acquisition, the Board recognises that a strong governance framework and good internal controls, supported by common values and culture, are critically important. The Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Group. An internal review of Board effectiveness was conducted in 2017.

Board change
I succeeded James Wallace as Chairman in March 2017 at the end of the fiscal year. James has been the Chairman of Scapa since October 2007 and during that time he oversaw much of the change, as a result of which Scapa is well positioned for a bright future. On behalf of the Board and all the employees at Scapa, I would like to thank James for his strong leadership during his ten years as Chairman, a period during which Scapa was transformed from a business with significant challenges into the strong, successful business it is today.

People
Since becoming Chairman, I have visited many of our sites and had the opportunity to meet our people. It is evident that Scapa's recent success is a result of the skill and dedication of our employees who have embraced the business unit strategy and the cultural changes demanded in the Group. The Scapa Way and our Ten Guiding Principles are now well embedded in the Company culture, which gives a common value system to people from a range of diverse backgrounds and cultures. The Group continues to invest in its people through a variety of programmes and has been able to make a number of senior appointments this year from internal talent. On behalf of the Board, I would like to thank all the employees for their contribution to an excellent year.

Outlook
It has been a year of significant progress and I am very positive about the further opportunities for the Group in both Healthcare and Industrial. Healthcare is well positioned in a growth market and has a window to take advantage of the outsourcing trend. Industrial will continue to drive increased ROCE, with further opportunities identified. I am confident in Scapa's ability to continue to make progress and deliver further value to our shareholders.

L C Pentz
Chairman

CHIEF EXECUTIVE'S STRATEGIC REVIEW

Overview

During the year, the Group delivered on a number of the strategic milestones we have set for ourselves; we achieved double-digit profit margins in Industrial, and our Healthcare revenue has surpassed £100m. In addition we accomplished the audacious goal we set for ourselves four years ago; an internal goal of reaching £500m market capitalisation when it stood at less than £100m at the time. While we pause to reflect on the accomplishments, we are keenly aware that the real challenge is to maintain and surpass the past trajectory. We are confident that we can deliver the next set of milestones and goals as the opportunities and potential for both Healthcare and Industrial are still significant.

In Healthcare our strategy is to be the strategic turn-key partner of choice to our global Healthcare customers. We believe that by broadening our offerings and capabilities we can continue to build our market leading position in a growing and expanding market. In addition to the underlying growth in healthcare due to favourable demographics, we are also at the forefront of an accelerating outsourcing trend. As we review the growing pipeline of projects and potential acquisitions, we are confident that we can maintain double-digit growth in Healthcare, organically and through acquisition.

Industrial serves diverse markets and geographies and its revenue performance reflects the composite macro dynamics. We focus on key defensible markets where we have opportunity to gain market share in the US$30 billion pressure sensitive material market. Our strategy is to continue to deliver profit growth by focusing on the optimisation of our assets through relentless operational execution and achieve mid-teens profit margins, comparable to market leaders.

Our performance in 2016/17

The Group focus on execution against the consistent strategic objectives outlined above has helped Scapa to deliver record results once again in 2016/17. Group revenue increased 13.3% to £279.6m or 1.7% on a constant currency basis.

Healthcare revenue increased 16.5% to £108.7m or 5.0% at constant currency. We acquired EuroMed, a US-based hydrocolloid wound care solution company, in May 2016. Excluding ten months of EuroMed, the organic revenue increased 5.8%, or (4.6)% at constant currency. Healthcare growth was against a very strong comparator, 26.4% growth in 2016, driven by product launches of two of our customers and new pricing on a contract extension which we signed last year. We expect that, as we move further toward turn-key solutions, our revenue will be more volatile on a short-term basis driven by product launches and campaigns of our customers. However, we remain very confident of the outlook for the business and have seen a significant growth in the sales pipeline that is transitioning to higher value, higher margin turn-key products or components based on Scapa IP and innovation.

Healthcare profits increased 18.6% to £16.6m, or 4.4% at constant currency, improving margins to 15.3% as we improve efficiency and shift further to turn-key solutions. We expect that the higher margin achieved during the second half of the year can be maintained and, as we continue to focus on operational efficiencies and the revenue profile shifts more toward turn-key solutions, the margins should continue to improve further.

In May 2016, we completed the acquisition of EuroMed, the hydrocolloid wound care company based in Orangeburg, New York. With its intellectual properties and innovation portfolio, the acquisition significantly enhances our design and development capabilities, which further strengthens our value chain and deepens our strategic engagement with our Healthcare customers. EuroMed has integrated well, particularly after the backlog and cost base normalised post transaction. The second-half performed well both in revenue and profit, with second-half profits ahead of our initial expectations.

Industrial revenue increased 11.4% to £170.9m, or (0.3)% at constant currency. Cable performed well, driven by general improvement in the clean energy sector and a contract win in the US. The Construction segment also delivered above-market growth, including in France. The positives were offset by a decline in Auto and Specialty Products. Our strategy to focus on operating efficiencies and Return on Capital Employed (ROCE), enables us to deliver double-digit profit growth despite flat revenue. Industrial profits increased by 66.4% to £17.8m, 45.9% growth at constant currency, and margins were increased to 10.4% from 7.0%. The improvement in profit was driven by (i) operational efficiencies; (ii) lower input costs; and (iii) initial benefit from the closure of Rorschach. We expect that we will see an additional £1.0m profit improvement next year from the closure. Despite reaching the double-digit profit margin target we set for ourselves, we believe that there are still significant opportunities to further improve our Industrial margin by continuing to execute our strategy. We believe that we can deliver mid-teens profit margin through additional operational efficiencies and asset rationalisation.

Group trading profit increased to £29.2m, a growth of 37.1% or 18.2% at constant exchange rates, and margins increased to 10.4%. The Group benefited from a post-Brexit currency tailwind and the trading profit constant currency

result was also well ahead of expectations for the year. Cash generation was strong, and we ended the year leveraged at 0.45 times EBITDA after paying US$35m for the acquisition of EuroMed.

Strategic progress during the year
At the start of the last financial year we identified a series of key goals and priorities for the year.

- **Healthcare - Continue delivering profitable growth organically and through acquisitions. We will continue to strengthen our value chain and deepen our strategic engagement with our global customers** - The commercial project pipeline has been improved in terms of the number, quality and range of projects under development. Scapa is well positioned to help our customers improve cost, supply chain efficiency and speed to market. With the successful acquisition and integration of EuroMed, Scapa has added to its IP portfolio and has further moved the business towards higher value-add turn-key products. First Water, acquired in 2015, performed strongly again this year. We have long-term commercial agreements with our major Healthcare customers that underpin £200m in revenue over the life of the contracts.

- **Industrial - Further drive ROCE through optimisation of the asset base. Continue to focus on efficiency improvement and cost control. Focus on key markets where we can gain market share** - Driving increased ROCE through optimisation of the asset base has been a key feature of the Scapa Industrial strategy. During the year the facility in Rorschach, Switzerland was closed and the majority of the production transferred to the existing facility in Valence, France. The project was completed on time and on budget, with minimal service interruption to customers, and has delivered on the commitment to generate £1.0m of profit improvement in the second half. We expect a further £1.0m of incremental savings in the first half of FY18. Our supply chain team and strong cost controls also contributed to the increase in margins, up from 7.0% last year to 10.4% in 2017.

- **Acquisitions - Make further acquisitions to complement the current business or deliver a new strategic platform** - EuroMed, a specialist producer of hydrocolloid products for advanced wound care and consumer healthcare products based in Orangeburg, New York, was acquired in May 2016 for US$35m and improves the range of technologies available to our customers. It has fitted seamlessly into the Scapa Healthcare Group and made a strong contribution to performance in the year.

- **Financial - Continue to improve the Group's pension and tax positions** - The gross pension deficit at year end was £31.4m (2016: £27.5m) – well controlled despite the adverse movement in the discount rate during the period. The Group continues to explore ways to manage the deficit and has conducted a number of projects during the year, including offering flexible retirement options and pension increase exchange plans. The effective tax rate for 2017 was 20.0% (2016: 23.8%), reduced through a combination of strong UK trading and careful tax planning.

- **Culture - Promote The Scapa Way by embedding our core values and continuing to pursue entrepreneurialism across all aspects of our business** - After the efforts to promote The Scapa Way and the Ten Guiding Principles over recent years this is now very visible in the Group and continually reinforced. The Scapa Academy allows for efficient online training on a variety of subjects, including the Code of Conduct which reflects both Scapa values and legal compliance. The annual CEO Awards produced another excellent list of projects that have delivered significant value across the business.

2017/18 Strategic goals and priorities
Looking into the 2017/18 financial year, we believe that the strategies we have in place for our business units continue to give the right focus and will continue to deliver further value for our shareholders, and the continued emphasis and challenge within the business will be on execution against that strategy as the pace of projects accelerates:

- Healthcare: Continue delivering profitable growth organically and through acquisitions. We will continue to strengthen our value chain and deepen our strategic engagement with our global customers, and convert the increased project pipeline to revenue. Continue to shift further into turn-key solutions with Scapa's IP and innovation
- Industrial: Further drive ROCE through optimisation of the asset base. We will continue to focus on efficiency improvement and cost control, and focus on key markets where we can gain market share. We will continue the path to industry average margins
- Make further acquisitions to complement the current business or deliver a new strategic platform
- Continue to improve the Group's pension and tax positions, and review the Company's banking facilities
- Continue to focus on talent development and succession planning to ensure that we have the right people embedded with our core values to further drive the growth of the business

Outlook
We achieved some significant milestones during the year as a result of our relentless and uncompromising execution of the strategy. Whilst much has been achieved, we believe that much more potential remains to be fulfilled in both Healthcare and Industrial, and we have set the goals for the next phase of our growth, which we are confident we can deliver.

We continue to execute the strategy that we have outlined for both Healthcare and Industrial. We have a team with a strong track record of delivery. The Group is well positioned to leverage the recent accomplishments and continue to make further progress in the year ahead.

BUSINESS REVIEW: HEALTHCARE

Scapa Healthcare continues to lead as a strategic outsource partner of choice, providing turn-key solutions into three target markets: Advanced Wound Care, Consumer Wellness and Medical Devices. Through innovation, expertise and alignment of core values, we support leading healthcare companies to face their growth challenges and deliver world class products to end-users. Our deep understanding of our customers and the healthcare markets we serve has enabled us to deliver another successful year of profitable growth. We continue to strive to become their strategic outsource partner of choice, and to invest and innovate to fulfil customer needs and solve their challenges.

Market trends and overview
Demand for products and services within the healthcare industry is ever-changing and complex. Global healthcare organisations and consumer brands are faced with pressure to efficiently deliver the highest quality products at the lowest possible price. There are two ways to achieve this: internally they can invest heavily in differentiating technologies and infrastructure while attempting to lower their cost of manufacturing, or they can find the right strategic outsource partner. Responding to these market demands, Scapa Healthcare has established itself as a trusted outsource partner for leading healthcare companies.

Globally, healthcare companies continue to focus on strengthening both their internal research and development, marketing and distribution channels while utilising outsource partners as a more efficient means of producing their products, improving supply chain efficiency, shortening development times and bringing products to market faster. As a result, demand for third party services has grown as brands seek to establish trusted strategic outsource partnerships with scale and unique abilities. Expectations and capabilities continue to evolve as outsource partners are required to deliver more than just high quality products. They are tasked with delivering a complete turn-key solution, including design, regulatory and development expertise that can take a product from its earliest concept through design and manufacturing, while maintaining strict quality, process, design and cost controls. This capability ultimately results in rapid speed to market to enhance the brand owner's competitive position.

Both the healthcare market and leading healthcare companies continue to call for innovation that will streamline their development process. Scapa Healthcare's innovation strategy seeks to build a robust pipeline of both research and development projects and new customer development projects to propel the business forward. Through our strategic development and acquisition strategy, Scapa Healthcare has positioned itself for growth as an innovative partner to existing and emerging healthcare companies around the world.

Last year's acquisition of EuroMed, a leader in the development and manufacturing of hydrocolloid-based dressings, has added tremendous value to the Scapa Healthcare portfolio. The Orangeburg, NY site continues to deliver profitable growth with the introduction of hydrocolloids into Scapa Healthcare's technology platforms. The new technology has leveraged synergies between both organisations' client bases, engaging new development programmes at existing advanced wound care and consumer wellness customers. Hydrocolloids have also enabled Scapa Healthcare to become a stronger player within the health and beauty segment of the consumer wellness market.

Building on last year's tremendous success, the 2015 acquisition of First Water Limited (based in Ramsbury, UK) continues to leverage its growing portfolio of hydrogel formulations. Scapa Healthcare has strengthened its partnerships with leading brands to develop next generation products and expand the technology into completely new markets such as over-the-counter wearable devices and dressings to stop the inception of wounds. These new developments have positioned Scapa Healthcare as an innovative and trusted partner with large consumer and wound care brands.

Ongoing development work to meet the growing spectrum of wearable medical device users led to a more comprehensive Scapa MEDIFIX® Long-term Wear Solutions range. Long-term Wear Solutions are designed to adhere a medical device to the skin for an extended period of time with the creation of custom material and design combinations based on clinical and user requirements. Market demands for longer-wearing adhesives resulted in two subsequent wear studies. Both studies demonstrated the importance of adhesive and substrate combinations and developed a solution lasting up to 16 days, two days longer than earlier studies.

Delivering Long-term Wear Solutions resulted in a separate sterilisation method study and white paper publication to evaluate adhesives minimally affected by e-Beam sterilisation. Before use, wearable medical devices must undergo sterilisation; e-Beam sterilisation is not detrimental to electronics and therefore is most commonly used. Our range of e-Beam stable extended wear adhesives enables us to deliver custom developments and scalable production across the rapidly growing wearables market for devices such as patient monitoring, insulin delivery and continuous glucose monitoring.

Strategy and Business Model
Scapa Healthcare continues to concentrate on being the strategic outsource partner of choice, providing turn-key solutions for current and future industry leaders in our three target markets: Advanced Wound Care, Consumer Wellness and Medical Devices.

Our strategy is to remain a business-to-business partner to global healthcare customers, supporting them in the design, development and launch of their new products into the healthcare market. Our team of experts and full turn-key capabilities allow us to quickly take a product from concept to market faster than many of our partners can do internally. Delivering rapid speed to market allows us to offer our partners a differentiated competitive advantage in the market-place. This enables us to build long-term trusted relationships, supported by multi-year contracts that provide visible and secure streams of income for the business.

To enhance our plan, we refined a comprehensive go-to-market strategy, targeting senior level engagement and outlining a strategic growth platform for the three key markets that we service. We will continue to establish a strong platform for growth with long-term contract renewals and increased strategic engagement with our customers. We actively aim to expand our technology and product portfolio, sales channels, manufacturing capabilities and capacity, and quality systems to remain a value-add partner to our customers and increase our share of the customers' total spend. In order to do so, we must focus on the full supply chain and complete product processes from design and raw material selection, through converting and packaging, to sterilisation and logistics. We strive to be our customers' strategic outsource partner of choice.

Delivering high quality products is at the heart of everything we do; it is the foundation of trust with our customers. We have dedicated global healthcare quality teams at each site, and all product development and production are subject to rigorous quality control measures. We continue to invest in quality systems, resources and manufacturing infrastructure to meet the highest industry standards.

This year we have made significant investments in capacity, quality and account management to better serve our customers. In order to deliver in the ever-changing healthcare market, we will continue to expand and strengthen our current capabilities and monitor any gaps in our value chain. We will invest through targeted acquisitions to support our growth strategy and deliver more value.

2016/17 performance
Scapa Healthcare made good progress this year, increasing revenue by 16.5%, or 5.0% at constant exchange rates. We saw continued success in obtaining long-term contract renewals and structured programmes with customers. Margins increased to 15.3% and trading profit growth was 18.6%, or 4.4% at constant exchange rates. With good visibility of revenue and a strong pipeline of projects, we have continued to invest in innovation and design, setting ourselves up for future growth.

Outlook
Our turn-key value proposition continues to resonate with customers. As the Scapa Healthcare brand and reputation continues to grow, so does the pipeline of new development projects and opportunities. We are actively engaged with major healthcare companies across all of our business sectors and at every level of the value chain. We will continue to invest in the business, developing the tools, infrastructure and talent needed to deliver the world class service that leading global healthcare providers require from their outsource partners. We remain very positive about the future for Scapa Healthcare.

BUSINESS REVIEW: INDUSTRIAL

The Industrial business unit strategy is to drive improvements in Return on Capital Employed (ROCE) while focusing on servicing our customers in our chosen market segments; Automotive, Cable, Construction, Consumer and Specialty products. Our approach continues to deliver significant improvements in trading profit and margins, coupled with good revenue growth in specific areas against a difficult macro environment.

Market trends and overview

Our Engineered Products business continues to serve our Automotive and Cable markets with bespoke solutions. The commercial teams partner with customers and give technical assistance, to design-in tailored adhesive solutions, which meet the customers' specific needs. We then follow the design-in work to the manufacturing locations where the product is used. We work within our global footprint, and with trusted partners, to provide products to customers in a timely manner.

In the Automotive segment, our core products are used in protection wraps for shipping and wire harnesses. We also have a unique specialty film business which serves the seat heating sub-segment. Our growth, particularly in Europe, with the Top 5, Tier 1 wire harness system manufacturers continues. In North America, our renewed focus has produced multiple contract wins at major Tier 1 suppliers for new platforms, with initial builds occurring in 2017. As we move beyond the protective and wire harness business we continue to see improved margins. Year-on-year growth continues in Europe and BRIC countries. New water-based low Volatile Organic Compound (VOC) products align with China's demand for environmentally-friendly products and continue to provide growth opportunities. Automotive OEMs expect a global footprint with a local presence. Our key products have been localised to meet this requirement and strengthen our supply position.

Our Cable segment products are primarily used in protection against abrasion and water ingress for power transmission and fibre-optic communication lines. The products are highly sought after because of their reliability in the field. As we move beyond protection and look at fire retardant and anti-rodent products, we continue to expand our margins. Our success depends on the ability to win future contracts and we secured several large contracts with major European subsea and high-voltage cable manufacturers. Creation of a new narrow thickness water blocking foam tape, which minimises signal losses in fiber-optic cables, is creating further opportunities with core customers. Our water-blocking marine tapes continue to help our customers produce in a more cost-effective manner while meeting the high standards required in the subsea industry. Our growth in revenue, margin and profit extends to almost every area of the globe.

Our Commercial Products business serves the Construction, Consumer and Specialty markets with application-specific consumable solutions.

The Construction segment, the main driver for the Commercial Products business, is largely dependent on macro trends, is seasonal and is driven by short lead times. We focus on the spring and summer months to ensure we are in a position to support the spikes in demand. Our Construction segment clearly stood out as a high performer as it doubled GDP growth rates in both Europe and North America. Traditionally, our large range of products is used globally by contractors, professionals and do-it-yourself enthusiasts. We have been working to increase our presence with OEMs while maintaining our relationship with retailers and distributors. We have seen this strategy pay dividends in Europe and North America.

The Consumer segment is led by our key retail brands. In France, where we manufacture the Barnier® brand, the tape is used by professionals in the construction business throughout Europe. In Canada, where our market leading Renfrew Pro Tape™ is manufactured, the new 'Feel the Game™' tagline is positioned to allow the hockey playing consumer to know our top quality tape products will give them the puck control and game-time confidence to achieve their best performance on the ice.

Our Consumer business in Europe and North America had mixed results, with some good highlights. In the year of celebrating our Centenary, we believe Barnier's 100 years in the market allows us an advantage in the professional usage arena. The global re-brand of our Renfrew Pro Tape™ portfolio to hockey players and retailers via online media has increased the pace of new retail partnership enquiries as well as greater interest in our new NHL branded hockey tape portfolio at the end user, retailer and professional team levels.

Our Specialty segment consists of a diverse portfolio of niche technologies and globally-dispersed clients which led to solid performance across top accounts and an understanding of the highest-value technologies and regions for future growth. Our Specialty team has leveraged several existing bonding and laminating technologies into new applications with industry-leading companies across the aerospace, technical packaging, white goods and military markets.

Our Commercial Products business saw significant growth in the top 20 accounts.

Strategy and Business Model
Our strategy is to continue improving ROCE through a business model where we continually review our asset base and expense structure. We will deliver complementary offerings within and across the Industrial segments, driven by combining the needs of our strategic partners with Scapa's broad technical toolbox of chemistries, materials and global supply access. Our broad portfolio development across multiple markets leverages existing products, material and manufacturing knowledge into the hands of new and existing customers.

2016/17 performance
The Industrial performance exceeded expectations with regard to trading profit and margin. Our continued emphasis on improving return on assets, cost controls and engaging with our strategic partners lifted our performance. The business benefitted from the weakening of Sterling, the revenue growth of 11.4% being entirely because of currency. Revenue at constant currency declined by 0.3%, which included some business we chose not to continue after the closure of our Switzerland facility.

Trading profit is where we made the most impressive increase of 66.4%, and 45.9% at constant currency. Margins improved for the seventh year in a row to 10.4% as the business continued to improve its operational efficiency and supply chain. The closure of the Swiss business in the second half delivered the expected benefits, with minimal disruption to customers.

Outlook
Whilst 2016/17 saw an increase in margins to 10.4%, we remain confident that there is further scope to improve the business through continued execution of the ROCE strategy and driving better asset utilisation. Further margin improvement will come from the full year impact of the Swiss closure, and other opportunities are under evaluation. Whilst conscious of the macro challenges, the business will continue to build on current strategic relationships for growth, by focusing on sales of our high-value technologies portfolio and connecting market needs with the unique functional properties which our products offer. The addition of our new Industrial focused website, and two new consumer branded websites, will allow new and existing customers a greater understanding of, and access to, Scapa's broad product portfolio, market experience, technical expertise and application solutions. The addition of targeted market communications programmes, new prospect outreach campaigns and promotional initiatives will continue to drive momentum through increased customer and market awareness. We expect to continue to improve our performance by increasing our pipeline and focusing our efforts on improving returns.

FINANCE DIRECTOR'S REVIEW

This was another excellent year for Scapa, with the Group once again delivering a strong set of results. We have seen continued growth in revenue and profits and increased margins in both of the businesses in which we operate; Healthcare and Industrial. The dividend has again been increased, by 14.3%, supported by higher earnings and good cash generation.

Revenue and trading profits
Group revenue increased by 13.3% to £279.6m (2016: £246.7m); on a constant currency basis growth was 1.7%. Healthcare revenue was £108.7m (2016: £93.3m), an increase of 16.5% or 5.0% on a constant currency basis. Industrial revenue was £170.9m (2016: £153.4m), an increase of 11.4% or (0.3)% on a constant currency basis.

The Group delivered another record year for trading profit, which increased by 37.1% to £29.2m (2016: £21.3m) or 18.2% growth on a constant currency basis. Trading profit margin improved to 10.4% (2016: 8.6%). Healthcare contributed £16.6m (2016: £14.0m), growing the margin to 15.3% (2016: 15.0%). Industrial contributed trading profit of £17.8m (2016: £10.7m), a very strong growth of 66.4% or 45.9% on a constant currency basis. Industrial trading profit margin improved to 10.4% (2016: 7.0%), achieving the double-digit margin target.

Total Group operating profit was £23.8m (2016: £11.7m) after charging pension administration costs of £0.7m (2016: £0.7m), intangible amortisation costs of £3.7m (2016: £2.3m) and exceptional costs of £1.0m (2016: £6.6m). Trading profit continues to be adjusted for these items to give better clarity of the underlying performance of the Group.

Currency
Currency translation had a significant impact on both sales and profits in 2017 as a result of the weaker Sterling. In the year Sterling averaged US$1.32 (2016: US$1.50) and €1.20 (2016: €1.36). Currency translation increased sales compared to 2016 by £28.2m (11.4%) and trading profit by £3.4m (16.0%).

Exceptional items
Exceptional income in the period was £0.3m (2016: £2.1m) and related to a pension liability management exercise for the Group legacy UK defined benefit scheme that concluded in the period.

Exceptional costs in the period were £1.3m (2016: £8.7m). This comprised costs of £0.7m (2016: £5.1m) associated with the closure of our Swiss site, including asset write-offs and retention payments, along with acquisition-related costs of £0.6m as a result of the acquisition of EuroMed in May 2016.

In order to provide a clearer understanding of the performance of the Group, the above items, both income and expenses, have been separated out from trading results.

Alternative performance measures
Scapa uses alternative performance measures such as trading profit, adjusted earnings per share, trading profit margin, and free cash flow, together with current measures restated at constant exchange rates, to allow the users of the financial statements to gain a clearer understanding of the underlying performance of the business, allowing the impact of restructuring and reorganisation activities and acquisition costs to be identified separately.

Net finance costs and Group facilities
Net finance costs increased slightly to £2.0m (2016: £1.9m). Net cash interest payable increased to £1.2m (2016: £0.7m) following the acquisition of EuroMed and relates to the Group's committed £60m revolving facility which matures in June 2018. During the year the Group drew down upon the uncommitted £20m accordion facility to increase the revolving credit facility from £40m to £60m to fund its acquisition strategy. Non-cash interest reduced to £0.8m (2016: £1.2m) and relates to the Group legacy defined benefit pension plans.

Taxation
The Group's tax charge of £4.2m (2016: £3.7m) includes a £5.6m charge (2016: £4.9m) on trading activities and a £1.4m credit (2016: £1.2m credit) on exceptional items.

The Group's effective tax rate is a blend of the different national rates from the operating subsidiaries in the various countries in which we operate, applied to locally generated profits. Our tax arrangements are driven by commercial transactions, managed in a responsible manner based on compliance, transparency and co-operation with tax authorities.

We report an adjusted effective tax rate to give the best indication of the Group's tax commitments. This tax rate is calculated on trading activities after the deduction of cash interest. The rate in the current year is 20.0% (2016: 23.8%), the same as the UK standard rate. Although the national rates applied to local profits are generally higher than the UK standard rate, the Group benefits from unrecognised tax losses in the UK along with sensible and compliant tax planning.

The Group's cash tax payment in the year was £2.8m (2016: £3.0m) or 9.6% of trading profit. Cash tax remains below the effective tax rate as the Group continues to use the significant brought forward losses. As the Group continues to increase its profitability, we expect to see cash tax payments becoming more in line with the effective tax rate as brought forward losses in certain jurisdictions are used up.

Acquisition activity
The Group continues proactively to seek out complementary acquisitions to enhance the product and service offering to our customers.

On 23 May 2016, the Group acquired 100% of the share capital of EuroMed, a healthcare business specialising in hydrocolloid based wound care solutions, located in Orangeburg, New York, USA at a cost of US$35m (£28.3m). The company has innovative R&D capabilities that will further enhance and complement Scapa Healthcare's existing resources, whilst broadening and strengthening our internal intellectual property and increasing the turn-key value proposition for Healthcare.

Earnings per share
Adjusted earnings per share improved by 39.6% to 14.8p (2016: 10.6p) and basic earnings per share was 11.6p (2016: 4.1p).

Cash flow and net debt
The Group continued to see healthy cash generation and closing net debt was £16.1m (2016: £2.6m) following the acquisition of EuroMed.

Net cash generated from operating activities before exceptional items was £32.7m (2016: £19.0m) which represented 112.0% of trading profit. Net cash interest paid was £1.2m (2016: £0.6m). Income tax paid was £2.8m (2016: £3.0m) resulting in a net cash generated from operating activities of £25.1m (2016: £12.9m). The site consolidation programme continues and accounts for a significant portion of the net capital expenditure of £8.3m (2016: £9.8m) with the completion of the closure of the Rorschach site this year and transfer of operations to Valence.

Net debt to EBITDA
The Group revolving credit facility of £40m commenced in January 2014 and was increased to £60m following the use of our £20m 'accordion' facility in May 2016 to support the acquisition of EuroMed. The current facility goes through to June 2018, so the Company will be reviewing and extending the banking facilities in H1 of 2017/18. Current availability of finance is good and we expect to be able to refinance on favourable terms.

At the year end net debt was £16.1m (2016: £2.6m). The ratio of net debt to EBITDA was 0.45 times, giving significant headroom against our facility covenant of 2.75 times. The Group continues to operate well within its banking covenants with significant headroom under each ratio at year end.

Dividends and capital allocation
The Board is recommending a 14.3% (2016: 16.7%) increase in the full year dividend with a final dividend of 2.0p (2016: 1.75p). This increased dividend balances both our cash performance in the period and our underlying confidence in our business with the need to support the future growth of the Group. Dividend cover (being the ratio of adjusted earnings per share to dividend per share) is 7.4 times (2016: 6.1 times). If approved at the Annual General Meeting the final dividend will be paid on 18 August 2017 to shareholders on the register on 21 July 2017.

Our objective is to maximise long-term shareholder returns through both organic growth and growth through acquisitions. We continue to adopt a cash allocation policy that allows for: continuing investment in capital projects that support growth; regular returns to shareholders from our free cash flow; acquisitions to supplement our existing portfolio of business; and an efficient Balance Sheet appropriate to the Company's investment requirements.

Continued progress on post-retirement benefits
The Group has no open defined benefit schemes and the majority of the post-retirement benefit schemes for employees are defined contribution. The Group's Balance Sheet carries pension deficits that relate to schemes that have been closed for many years, and some very small overseas leaving indemnities that are classed as defined benefit.

Over recent years we have been very active in trying to address the cost and volatility of the legacy pension deficits. This strategy has continued into the current year where we have continued to see good take-up of the Flexible Retirement Options (FRO) that is now embedded into the UK scheme. In addition, we have undertaken a Pension Increase Exchange (PIE) exercise whereby a number of pension members agreed to exchange future non-statutory pension increases for an immediate one-off increase in their current pension, resulting in a reduction in the scheme's liabilities and mortality risk, and a past service credit to the P&L of £0.3m (2016: £Nil) which was treated as exceptional income.

During the year the fair value of the scheme assets grew by £19.0m whilst the total liabilities of the schemes grew by £22.9m, resulting in an overall increase in the deficit of £3.9m which was driven by the decrease in the rate used to discount the scheme liabilities to 2.45% (2016: 3.45%) due to market conditions. The scheme's investment strategy includes a portfolio of assets that are matched to the duration of the member liabilities. This strategy hedges the deficit from changes in bond yields that affect the discount rate and is reflected in the asset and liability movements in the current year.

Overseas cash contributions were £0.9m (2016: £1.0m) and these contributions relate to leavers and not to a deficit repair schedule of payments. Pension administration expenses of £0.7m (2016: £0.7m) in relation to the pension schemes are reported through operating profit under IAS 19 (revised).

Scapa has other pension projects in the pipeline and will continue to execute projects that provide a good balance of member and Company benefits whilst looking to de-risk the scheme further. In 2012 we put in place a Central Asset Reserve (CAR) structure with the UK Trustee and continue to make contributions under this arrangement. In the year we made contributions of £3.7m (2016: £3.7m). The triennial pension scheme valuation date is 31 March 2017, but no changes to the current arrangements are expected. With a reasonable projection of investment returns, we have the intention of reaching a position where we can achieve buy-out of the pension scheme within the next ten years.

Shareholders' funds

Shareholders' funds increased by £22.7m to £100.4m (2016: £77.7m). Profit after tax increased to £17.6m (2016: £6.1m). The pension loss in the period was £6.9m (2016: £7.9m gain). Movements in equity that related to share issues, dividends and options reduced shareholders' funds by £0.7m (2016: £0.4m decrease). Currency movements on overseas asset values were favourable in the period £12.7m (2016: £2.5m). Tax items booked directly into reserves £Nil (2016: £0.2m decrease).

UK referendum on EU membership

As a global business with over 90% of the Group's activities outside of the UK, Scapa's trading is less likely to be affected by Brexit than many UK plcs, and current results are benefiting from the weaker Sterling. With so little information on the likely shape of future relationships between the UK, the EU and beyond, we are engaged in developing a deeper understanding of the implications of the changes as they emerge, in particular relating to customs and duties.

Risk management and the year ahead

Risk is managed closely and is spread across our businesses and managed to individual materiality. We have a Code of Conduct which is adopted internationally and reflects our ethical approach to business. The Board has considered all of the above factors in its review of going concern and has been able to conclude the review satisfactorily.

Consolidated Income Statement
For the year ended 31 March 2017

All on continuing operations	note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Revenue	2	279.6	246.7
Operating profit	2,4	23.8	11.7
Trading profit*		29.2	21.3
Amortisation of intangible assets		(3.7)	(2.3)
Exceptional items	5	(1.0)	(6.6)
Pension administration costs		(0.7)	(0.7)
Operating profit		23.8	11.7
Finance costs	7	(2.0)	(1.9)
Profit on ordinary activities before tax		21.8	9.8
Taxation charge	8	(4.2)	(3.7)
Profit for the year		17.6	6.1
Weighted average number of shares	9	151.1	148.3
Basic earnings per share (p)	9	11.6	4.1
Diluted earnings per share (p)	9	11.1	3.9
Adjusted earnings per share (p)**	9	14.8	10.6

* Operating profit before amortisation of intangible assets, exceptional items and pension administration costs.

** Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year.

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2017

All on continuing operations	note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Profit for the year		17.6	6.1
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		12.7	2.5
Actuarial (loss)/gain		(6.9)	7.9
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial loss/(gain)		–	(0.2)
Other comprehensive income for the year		5.8	10.2
Total comprehensive income for the year		23.4	16.3

Consolidated Balance Sheet
As at 31 March 2017

	note	31 March 2017 £m	31 March 2016 £m
Assets			
Non-current assets			
Goodwill	12	56.4	34.7
Intangible assets	13	6.6	3.4
Property, plant and equipment	14	49.3	46.1
Deferred tax asset	8	8.0	7.6
Other receivables		0.2	–
		120.5	91.8
Current assets			
Assets classified as held for sale	15	5.1	–
Inventory	16	30.7	27.1
Trade and other receivables	17	57.2	47.9
Current tax asset		1.4	0.6
Cash and cash equivalents	18	12.1	18.7
		106.5	94.3
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	20	(1.2)	(1.0)
Trade and other payables	19	(52.0)	(45.2)
Deferred consideration		(0.1)	(0.1)
Current tax liabilities		(1.1)	(0.2)
Provisions	21	(1.3)	(3.9)
		(55.7)	(50.4)
Net current assets		50.8	43.9
Non-current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	20	(27.0)	(20.3)
Trade and other payables	19	(0.1)	(0.2)
Deferred consideration		–	(0.1)
Deferred tax liabilities	8	(7.1)	(6.4)
Non-current tax liabilities		(2.9)	(2.0)
Retirement benefit obligations		(31.4)	(27.5)
Provisions	21	(2.4)	(1.5)
		(70.9)	(58.0)
Net assets		100.4	77.7
Shareholders' equity			
Ordinary shares		7.6	7.5
Share premium		0.4	0.4
Retained earnings		59.2	49.3
Translation reserve		33.2	20.5
Total shareholders' equity		100.4	77.7

Consolidated Statement of Changes in Equity
For the year ended 31 March 2017

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2015	7.4	0.4	18.0	36.0	61.8
Employee share option scheme – value of employee services	–	–	–	1.8	1.8
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(2.2)	(2.2)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(0.5)	(0.4)
Currency translation differences	–	–	2.5	–	2.5
Actuarial gain on pension schemes	–	–	–	7.9	7.9
Deferred tax on actuarial gain	–	–	–	(0.2)	(0.2)
Net income recognised directly in equity	–	–	2.5	7.7	10.2
Profit for the period	–	–	–	6.1	6.1
Total comprehensive income	–	–	2.5	13.8	16.3
Balance at 31 March 2016	7.5	0.4	20.5	49.3	77.7
Employee share option scheme – value of employee services	–	–	–	1.9	1.9
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(2.6)	(2.6)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(0.8)	(0.7)
Currency translation differences	–	–	12.7	–	12.7
Actuarial loss on pension schemes	–	–	–	(6.9)	(6.9)
Net income recognised directly in equity	–	–	12.7	(6.9)	5.8
Profit for the period	–	–	–	17.6	17.6
Total comprehensive income	–	–	12.7	10.7	23.4
Balance at 31 March 2017	7.6	0.4	33.2	59.2	100.4

Consolidated Cash Flow Statement
For the year ended 31 March 2017

All on continuing operations	note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Cash flows from operating activities			
Net cash flow from operations	22	29.1	16.5
Cash generated from operations before exceptional items	22	32.7	19.0
Cash outflows from exceptional items	22	(3.6)	(2.5)
Net cash flow from operations		29.1	16.5
Net interest paid		(1.2)	(0.6)
Income tax paid		(2.8)	(3.0)
Net cash generated from operating activities		25.1	12.9
Cash flows used in investing activities			
Acquisition of subsidiary	11	(27.7)	–
Purchase of property, plant and equipment		(8.3)	(9.8)
Purchase of capitalised development costs		(0.1)	–
Proceeds from sale of property, plant and equipment		–	0.1
Net cash used in investing activities		(36.1)	(9.7)
Cash flows generated from/(used in) financing activities			
Dividends		(2.6)	(2.2)
Increase in borrowings		33.4	5.7
Repayment of borrowings		(27.5)	(4.9)
Net cash generated from/(used in) financing activities		3.3	(1.4)
Net (decrease)/increase in cash and cash equivalents		(7.7)	1.8
Cash and cash equivalents at beginning of the year		18.7	16.7
Exchange gains on cash and cash equivalents		1.1	0.2
Total cash and cash equivalents at end of the year	18	12.1	18.7

Notes on the Accounts

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 March 2017. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in June 2017.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 31 March 2017. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The annual financial statements of Scapa Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Segmental reporting

Business unit segments

The Group operates two standalone business units: Healthcare and Industrial, supported by a strategic Corporate function. All inter-segment transactions are made on an arm's length basis.

The chief operating decision maker (CEO) relies primarily on turnover and trading profit to assess the performance of the Group and make decisions about resources to be allocated to each segment; assets and liabilities are looked at geographically. Trading profit is reconciled to operating profit on the face of the Income Statement.

The Board reviews the performance of the business using information presented at constant exchange rates. The prior year results have been restated at constant currency as shown on the following pages.

Segment results

The segment results for the year ended 31 March 2017 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	108.7	170.9	–	279.6
Trading profit/(loss)	16.6	17.8	(5.2)	29.2
Amortisation of intangible assets	(3.7)	–	–	(3.7)
Exceptional items	(0.6)	(0.7)	0.3	(1.0)
Pension administration costs	–	–	(0.7)	(0.7)
Operating profit/(loss)	12.3	17.1	(5.6)	23.8
Net finance costs				(2.0)
Profit on ordinary activities before tax				21.8
Tax charge				(4.2)
Profit for the year				17.6

Revenue is allocated based on the country in which the order is received. The revenue analysis based on the location of the customer is as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2017	109.1	139.4	14.1	17.0	279.6
External revenue – 31 March 2016	95.4	121.0	15.1	15.2	246.7

The revenue analysis based on the location where the sale occurred is as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2017	114.3	148.8	14.4	2.1	279.6
External revenue – 31 March 2016	101.9	129.3	14.0	1.5	246.7

There are no single customers with greater than 10% share of the total Group revenue.

The segment results for the year ended 31 March 2016 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	93.3	153.4	–	246.7
Trading profit/(loss)	14.0	10.7	(3.4)	21.3
Amortisation of intangible assets	(2.3)	–	–	(2.3)
Exceptional items	(1.5)	(4.6)	(0.5)	(6.6)
Pension administration costs	–	–	(0.7)	(0.7)
Operating profit/(loss)	10.2	6.1	(4.6)	11.7
Net finance costs				(1.9)
Profit on ordinary activities before tax				9.8
Tax charge				(3.7)
Profit for the year				6.1

The Board reviews the performance of the business using information presented at consistent exchange rates. The prior year results have been restated using this year's exchange rates as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	93.3	153.4	–	246.7
Foreign exchange	10.2	18.0	–	28.2
Underlying external revenue	103.5	171.4	–	274.9
Trading profit/(loss)	14.0	10.7	(3.4)	21.3
Foreign exchange	1.9	1.5	–	3.4
Underlying trading profit/(loss)	15.9	12.2	(3.4)	24.7

3. Segment assets and liabilities

The chief operating decision maker does not review assets and liabilities by business unit but by geographical area. The assets and liabilities at 31 March 2017 and capital expenditure for the year then ended can be analysed into geographical segments as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	31.4	77.0	4.1	–	112.5
Inventory	12.3	15.8	2.6	–	30.7
Trade receivables – net	25.6	24.6	1.7	–	51.9
Trade payables	(19.9)	(10.8)	(1.0)	(0.6)	(32.3)
Cash	4.2	4.9	2.3	0.7	12.1
Additions of property, plant and equipment	4.6	3.3	0.2	0.2	8.3

* Non-current assets excluding deferred tax assets

The assets and liabilities at 31 March 2016 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	34.2	46.4	3.6	–	84.2
Inventory	11.9	13.0	2.2	–	27.1
Trade receivables – net	22.1	20.0	1.2	–	43.3
Trade payables	(19.8)	(9.2)	(0.5)	(0.5)	(30.0)
Cash	6.6	3.5	1.8	6.8	18.7
Additions of property, plant and equipment	5.2	2.3	2.0	0.2	9.7

* Non-current assets excluding deferred tax assets

Unallocated head office items relate to assets and liabilities incurred in the normal course of business for the Parent Company.

4. Operating profit

The operating profit for the year is stated after (charging)/crediting:

	2017 £m	2016 £m
Revenue	279.6	246.7
Materials and overheads	(134.7)	(121.5)
Factory costs	(22.7)	(19.3)
Outward freight costs	(7.1)	(6.4)
Directors' and employees' costs	(71.0)	(64.3)
Depreciation of tangible fixed assets;		
– owned assets	(6.1)	(5.1)
– leased assets	(0.1)	(0.1)
Operating lease rentals;		
– land and buildings	(2.6)	(2.2)
– plant, machinery and other	(1.4)	(1.1)
Repairs and maintenance costs	(3.1)	(2.7)
Research and development costs	(3.7)	(3.0)
Amortisation of government grants received	–	0.1
Foreign exchange gains	1.1	0.1
Amortisation of other intangible assets	(3.3)	(2.0)
Amortisation of internally generated assets	(0.4)	(0.3)
Movement in inventory provision	(0.1)	0.2
Impairment loss recognised in trade receivables	(0.5)	(1.1)
Exceptional items	(1.0)	(6.6)
Pension administration costs	(0.7)	(0.7)

The analysis of auditor's remuneration is as follows:

	2017 £'000	2016 £'000
Audit fees – Parent Company	99	85
Audit fees – subsidiary undertakings	245	241
Taxation compliance services	29	29
Taxation advisory services	5	64
Other assurance services	1	1
Corporate finance services	193	142
	572	562

Total audit fees were £344,000 (2016: £326,000). Total non-audit fees payable to the auditor were £228,000 (2016: £236,000).

5. Exceptional items

	2017 £m	2016 £m
Operating income:		
UK pension settlement gain	–	0.6
US pension settlement gain	–	1.0
Bellegarde land sale	–	0.5
Past service credit	0.3	–
Operating expenses:		
Site closure costs	(0.5)	(3.5)
Asset write offs and accelerated depreciation	(0.2)	(1.6)
Post-combination remuneration	–	(2.0)
Reorganisation costs	–	(1.2)
Abortive acquisition costs	–	(0.4)
Acquisition costs	(0.6)	–
	(1.0)	(6.6)

Exceptional operating income
£0.3m operating income relates to a past service credit on the UK scheme following a pension increase exchange exercise carried out during the year.

The prior year exceptional income related to pension projects in the UK and US £1.6m. In the UK, the offer to a sub-set of members to buy different benefits led to £10.8m of liabilities being extinguished in exchange for assets valued at £10.2m. In the US, a project offering lump sums to deferred members resulted in £5.5m of liabilities being extinguished in exchange for assets valued at £4.5m. The resulting gains of £1.6m have been reported as an exceptional settlement gain, consistent with our historical treatment of legacy defined benefit pension costs. In addition the sale of land relating to a dormant site in Bellegarde France was completed on 31 March 2016 resulting in £0.5m income.

Exceptional operating expenses
The closure of the Rorschach site in Switzerland was announced in April 2015 and subsequently provided for in the 2016 accounts. However, certain costs have been incurred in the period that could not be provided for previously: being retention payments made to certain key members of staff of £0.5m and £0.2m impairment of assets that continued to be used up until cessation of production at the site. The acquisition costs are directly related to the acquisition of EuroMed and are covered in note 11.

The prior year expenses that relate to the closure of the Rorschach site include the impairment of the plant and machinery down to its recoverable value, £1.5m and the then best estimate of costs to close the site £3.4m The closure costs included all the employee consultation costs, the remediation and building strip-out costs, the legal costs associated with closing the site and certain costs related to revalidating a number of products at alternative sites, essential to ensure the continued production within the Group. These estimates remain our best estimate and no additional provisions have been made in the year. Also during the prior year £2.0m was paid to the former owners of First Water Limited relating to post combination remuneration based on the performance of the business during 2015/16. The Group incurred exceptional costs of £1.2m relating to a Group-wide reorganisation and spent £0.4m on costs associated with potential acquisitions. The purchases were aborted and the costs have been separately disclosed.

6. Employee benefit expense

	2017 £m	2016 £m
Wages, salaries and other benefits	58.0	52.9
Social security costs	8.7	7.3
Share options granted to Directors and employees	1.9	1.8
Pension costs – defined contribution plans (note 25)	2.0	1.9
Pension costs – defined benefit plans (note 25)	0.4	0.4
	71.0	64.3
Pension curtailments and service costs (note 5)	(0.3)	(1.6)
	70.7	62.7

Average employee numbers	2017	2016
Europe	656	686
North America	617	523
Asia	91	115
	1,364	1,324

7. Net finance costs

	2017 £m	2016 £m
Interest payable on bank loans and overdrafts	(1.2)	(0.7)
Expected return on pension scheme assets less interest on scheme liabilities (note 25)	(0.8)	(1.2)
Net finance costs	(2.0)	(1.9)

8. Taxation

Income tax charge

	2017 £m	2016 £m
Current tax:		
Tax on trading activities – current year	(4.2)	(3.0)
Tax on trading activities – prior year	0.3	0.4
Tax on non-trading items	–	0.2
Total current tax	(3.9)	(2.4)
Deferred tax:		
Tax on trading activities – current year	(1.2)	(2.4)
Tax on trading activities – prior year	(0.5)	0.1
Tax on non-trading items	1.4	1.0
Total deferred tax	(0.3)	(1.3)
Tax charge on trading activities for the year	(5.6)	(4.9)
Tax charge on non-trading items for the year	1.4	1.2
Tax charge for the year	(4.2)	(3.7)

The actual tax on the Group’s profit before tax differs from the theoretical amount using the UK corporation tax rate as follows:

	2017 £m	2016 £m
Profit on ordinary activities before tax	21.8	9.8
Tax charge at 20% (2016: 20%)	(4.4)	(2.0)
Movements to unprovided deferred tax	2.8	0.6
Income not taxable and other deductions	0.3	0.2
Items not deductible for tax purposes and other taxable items	(1.2)	(1.3)
Effect of overseas tax rates being higher than UK tax rate	(1.5)	(1.7)
Adjustments in respect of prior years	(0.2)	0.5
Actual tax charge for the year	(4.2)	(3.7)

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

	2017 £m	2016 £m
Deferred tax assets:		
Losses	1.9	2.0
Provisions and other short-term timing differences	3.8	3.7
Retirement benefit liabilities	4.3	3.8
	10.0	9.5
Deferred tax liabilities:		
Accelerated tax depreciation	(3.0)	(2.9)
Other short-term timing differences	(0.4)	(0.2)
Tax effect of intangibles	(0.5)	(0.6)
Provision for potential tax liability	(5.2)	(4.6)
	(9.1)	(8.3)

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

	2017 £m	2016 £m
Deferred tax assets as above	10.0	9.5
– Accelerated tax depreciation liabilities/assets in different countries	(2.0)	(1.9)
Deferred tax asset on the Balance Sheet	8.0	7.6
Deferred tax liabilities as above	(9.1)	(8.3)
– Accelerated tax depreciation liabilities in different countries	2.0	1.9
Deferred tax liability on the Balance Sheet	(7.1)	(6.4)

Deferred tax is only recognised to the extent that it will be recoverable in future periods.

Movement in deferred tax	2017 £m	2016 £m
Beginning of the year	1.2	2.7
Income Statement charge	(0.3)	(1.3)
Deferred tax on actuarial gain	–	(0.2)
End of year	0.9	1.2

Tax assets amounting to £11.7m (2016: £11.8m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction.

Deferred tax items have not been recognised in respect of the following items	2017 £m	2016 £m
Accelerated capital allowances	3.2	3.6
Short term timing differences	1.1	1.0
Pensions	2.9	2.4
Tax losses	4.5	4.8
Total	11.7	11.8

9. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 157,873,262 (2016: 157,296,423). Diluted earnings per share has been calculated including share options in existence at 31 March 2017.

Adjusted

Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to equity holders of the Company (£m)	17.6	6.1
Weighted average number of ordinary shares in issue (m)	151.1	148.3
Basic earnings per share (p)	11.6	4.1
Weighted average number of shares in issue, including potentially dilutive shares (m)	157.9	157.3
Diluted earnings per share (p)	11.1	3.9
Adjusted earnings per share (p)	14.8	10.6

10. Dividend per share

A final dividend of 2.0p per share is proposed for the year ended 31 March 2017 (2016: 1.75p). The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements.

11. Acquisition of subsidiary

On 23 May 2016 the Group acquired 100% of the share capital of EuroMed Inc, obtaining control. EuroMed is a hydrocolloid-based wound care solutions provider. The company is based in New York State.

The Directors believe that the acquisition of EuroMed brings multiple advantages to Scapa, including:

- proprietary and patented technology to broaden and strengthen Scapa Healthcare's Turn-Key value proposition
- innovative R&D capabilities complementing Scapa Healthcare's existing resources
- expanded opportunities for growth in new markets and with new customers
- significant cross-selling opportunities across the customer base
- improved manufacturing infrastructure
- acceleration in Scapa Healthcare's growth
- the acquisition is expected to be earnings enhancing in the first full year in the enlarged Group

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value £m
Net assets acquired	
Separately identifiable intangible assets	6.5
Property, plant and machinery	1.9
Other assets	0.1
Inventory	2.1
Debtors, cash and equivalents	3.2
Trade and other payables	(2.3)
	11.5
Goodwill	16.8
Total consideration	28.3
Satisfied by cash	28.3

Net cash outflow arising on acquisition:	
Cash consideration	28.3
Less: cash and cash equivalent balance acquired	(0.6)
	27.7

In addition to the above, the former owners of the business had the opportunity to earn an additional US$7.0m (GBP £5.6m) consideration based on the future performance of EuroMed. None of the consideration has been recognised as the targets for payment were not met. The goodwill of £16.8m arising from the acquisition is expected to be deductible for income tax purposes in the US. Acquisition-related costs (included within exceptionals) amount to £0.6m.

EuroMed Inc contributed £10.3m of revenue and £1.1m to Group profit between the date of acquisition and 31 March 2017. If the acquisition of EuroMed Inc had been completed on the first day of the financial year, Group revenues for the period would have been £281.2m and Group trading profit would have been £29.4m.

12. Goodwill

	2017 £m	2016 £m
Cost		
1 April	57.7	56.3
Additions	16.8	–
Exchange differences	8.4	1.4
31 March	82.9	57.7
Accumulated amortisation and impairment		
1 April	(23.0)	(22.4)
Exchange differences	(3.5)	(0.6)
31 March	(26.5)	(23.0)
Net book value at 31 March	56.4	34.7

Goodwill relates to the Acutek Medical operation £15.4m (2016: £13.4m), Webtec £16.8m (2016: £14.6m), First Water Limited £6.7m (2016: £6.7m) and EuroMed £17.5m (2016: £Nil).

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2017. The recoverable amount has been determined on a value in use basis on each cash-generating unit using the management approved 12-month forecasts for each cash-generating unit. The base 12-month projection is inflated by 3.0% - 10.0% up to year 5, which management believes does not exceed the long-term average growth rate for the industry, and then is subject to a 1% growth and costs inflation through to year 20, with a terminal value calculated on a perpetuity basis.

These cash flows are discounted at a pre-tax discount rate of 10.0% (2016: 10.0%) and adjusted for specific risk factors that take into account the sensitivities of the projection. The Group has conducted a sensitivity analysis on the impairment test. If the assumed growth rate was reduced to 0%, the recoverable amount of all cash-generating units individually would remain greater than their carrying values. An increase in the pre-tax discount rate to 14.0% would result in positive headroom remaining, compared to the carrying value of goodwill for each cash-generating unit.

13. Other intangible assets

	Patents and development costs £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 2015	1.2	5.1	2.4	0.9	9.6
Exchange differences	–	–	0.1	–	0.1
Additions	0.2	–	–	–	0.2
31 March 2016 and 1 April 2016	1.4	5.1	2.5	0.9	9.9
Exchange differences	0.1	0.7	0.4	0.1	1.3
Additions	0.1	–	–	–	0.1
Acquisition of subsidiary	3.1	3.1	–	0.3	6.5
31 March 2017	4.7	8.9	2.9	1.3	17.8
Amortisation					
1 April 2015	–	(2.5)	(1.2)	(0.3)	(4.0)
Exchange differences	–	(0.1)	(0.1)	–	(0.2)
Charge for the year	(0.3)	(1.2)	(0.6)	(0.2)	(2.3)
31 March 2016 and 1 April 2016	(0.3)	(3.8)	(1.9)	(0.5)	(6.5)
Exchange differences	–	(0.6)	(0.3)	(0.1)	(1.0)
Charge for the year	(1.0)	(1.8)	(0.6)	(0.3)	(3.7)
31 March 2017	(1.3)	(6.2)	(2.8)	(0.9)	(11.2)
Carrying amount					
31 March 2017	3.4	2.7	0.1	0.4	6.6
31 March 2016	1.1	1.3	0.6	0.4	3.4
Remaining useful economic life (years)	2-3	1-2	0-1	2-4	

The brought forward intangible assets relate to the acquisition of First Water Limited in 2015 and Webtec in 2011. No value has been assigned to brand names, as Scapa companies are contract manufacturers and inherent brand value resides with customers rather than the manufacturer.

14. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 2015	18.4	7.9	92.3	5.1	18.0	4.7	146.4
Exchange differences	0.9	–	2.5	0.1	0.1	0.1	3.7
Additions	3.7	0.1	2.4	0.2	0.2	3.1	9.7
Disposals	(1.3)	–	(5.7)	(1.4)	–	–	(8.4)
Transfers	–	–	5.6	0.2	0.3	(6.1)	–
31 March 2016 and 1 April 2016	21.7	8.0	97.1	4.2	18.6	1.8	151.4
Exchange differences	3.0	0.2	9.6	0.4	0.8	0.1	14.1
Additions	0.5	0.6	4.5	0.6	0.3	1.8	8.3
Acquisition of subsidiary	–	–	1.6	–	0.2	0.1	1.9
Transfer to assets held for sale	(10.8)	–	–	–	–	–	(10.8)
Disposals	–	(0.1)	(0.4)	(0.2)	(0.1)	–	(0.8)
Transfers	0.4	–	1.8	–	–	(2.2)	–
31 March 2017	14.8	8.7	114.2	5.0	19.8	1.6	164.1
Accumulated depreciation							
1 April 2015	(9.5)	(4.3)	(69.1)	(4.4)	(17.1)	–	(104.4)
Exchange differences	(0.3)	–	(1.9)	(0.1)	(0.1)	–	(2.4)
Depreciation	(0.7)	(0.2)	(3.7)	(0.2)	(0.4)	–	(5.2)
Impairment	–	–	(1.5)	(0.1)	–	–	(1.6)
Disposals	1.3	–	5.6	1.4	–	–	8.3
31 March 2016 and 1 April 2016	(9.2)	(4.5)	(70.6)	(3.4)	(17.6)	–	(105.3)
Exchange differences	(1.3)	(0.1)	(6.9)	(0.4)	(0.7)	–	(9.4)
Depreciation	(0.8)	(0.2)	(4.5)	(0.2)	(0.5)	–	(6.2)
Transfer to assets held for sale	5.7	–	–	–	–	–	5.7
Impairment	–	–	(0.4)	–	–	–	(0.4)
Disposals	–	0.1	0.4	0.2	0.1	–	0.8
31 March 2017	(5.6)	(4.7)	(82.0)	(3.8)	(18.7)	–	(114.8)
Carrying amount							
31 March 2017	9.2	4.0	32.2	1.2	1.1	1.6	49.3
31 March 2016	12.5	3.5	26.5	0.8	1.0	1.8	46.1

The Group has not revalued any item of property, plant and equipment. Impairment of property, plant and equipment of £0.4m (2016: £1.6m) relates to the closure of the Rorschach site in Switzerland. The Group has also transferred £5.1m into assets held for sale following the closure of the Switzerland site this year. These assets include land and buildings and we expect the sale of these assets to proceed in the coming year. Land of £1.1m is not depreciated.

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

	2017 £m	2016 £m
Cost	0.6	0.6
Accumulated depreciation	(0.4)	(0.3)
Net book amount	0.2	0.3

During the year ending March 2017 there were no events or changes in circumstance that would indicate the carrying value of property, plant and equipment may not be recoverable.

15. Assets classified as held for sale

Assets classified as held for sale	2017 £m	2016 £m
Rorschach land and buildings cost	10.8	–
Rorschach buildings depreciation	(5.7)	–
Carrying value at 31 March	5.1	–

The Rorschach land and buildings have been transferred in the period from property, plant and equipment (note 14). Land of £0.5m is not depreciated.

16. Inventory

	2017 £m	2016 £m
Raw materials	11.5	10.1
Work in progress	7.7	7.4
Finished goods	11.4	9.6
	30.6	27.1

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £134.7m (2016: £121.5m).

There is no material difference between the Balance Sheet value and the fair value less costs to sell.

17. Trade and other receivables

	2017 £m	2016 £m
Amounts due within one year:		
Trade receivables	54.7	45.6
Less: provisions for impairment	(2.8)	(2.3)
Trade receivables – net	51.9	43.3
Other debtors	1.9	1.7
Prepayments and accrued income	3.4	2.9
Total amounts due within one year	57.2	47.9

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

	2017 £m	2016 £m
Pounds Sterling	6.2	5.2
US Dollars	25.7	20.5
Euros	19.1	17.7
Other	6.2	4.5
	57.2	47.9

At the year end, the following trade receivables balances were overdue but not impaired:

	2017 £m	2016 £m
Less than 1 month	–	0.4

Overdue analysis includes impact of foreign exchange movements. Historically customer default is low. The credit quality of the year end receivables balance is considered high. The Group stopped credit insuring its debts during the prior year.

The movement in the impairment provision for trade receivables is as follows:

	2017 £m	2016 £m
Opening provision at 1 April 2016	2.3	1.3
Exchange differences	0.2	–
Charge for the year	0.5	1.1
Receivables written off in the year	(0.2)	(0.1)
Closing provision at 31 March 2017	2.8	2.3

Included in the impairment provision are individually impaired trade receivables with a gross balance of £2.8m (2016: £2.3m). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

Ageing of impaired trade receivables:

	2017 £m	2016 £m
Greater than 3 months	2.8	2.3

18. Cash and cash equivalents

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

	2017 £m	2016 £m
Cash and cash equivalents	12.1	18.7

19. Trade and other payables

	2017 £m	2016 £m
Trade payables and trade accruals	32.3	30.0
Other taxes and social security	6.4	4.5
Other creditors	13.3	10.7
	52.0	45.2
Amounts due after more than one year:		
Other creditors	0.1	0.2

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

	2017 £m	2016 £m
Amounts due within one year:		
Pounds Sterling	12.8	10.4
US Dollars	16.3	13.3
Euros	18.3	17.6
Other	4.6	3.9
	52.0	45.2

	2017 £m	2016 £m
Amounts due after more than one year:		
US Dollars	–	0.1
Euros	0.1	0.1
	0.1	0.2

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days (2016: 78 days), stated using the non-labour element of cost of goods sold. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. Borrowings

	2017 £m	2016 £m
Amounts due within one year:		
Finance leases	0.1	0.2
Other loans	1.1	0.8
	1.2	1.0
Amounts due after more than one year:		
Bank loan	26.9	20.2
Finance leases	0.1	0.1
	27.0	20.3
Total borrowings	28.2	21.3

In January 2014 the Group entered into a committed multi-currency facility with a club of three UK banks. The principal features of the facility are:

1. the initial committed value of the facility was £40m
2. an accordion of £20m
3. it is unsecured
4. it is repayable in June 2018
5. the interest payable on drawings under the loan is based on inter-bank interest plus a sliding scale margin determined by the Group's leverage; the margin is currently 1.5%
6. the facility has two covenants – the ratio of EBITDA to interest paid must be above 4:1, and the ratio of EBITDA to net debt must be less than 2.75, reducing to 2.5 over time

As part of the acquisition of EuroMed in May 2016, the Group drew down on the committed accordion facility of £20m therefore resulting in an overall committed facility of £60m, which is repayable in June 2018.

The carrying value of borrowings is approximate to their fair value. The effective interest rates at the Balance Sheet date were as follows:

	%
31 March 2017 – Bank loans and overdrafts	2.4%
31 March 2016 – Bank loans and overdrafts	2.1%

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

	2017 £m	2016 £m
Pounds Sterling	4.0	11.6
US Dollars	24.2	9.7
	28.2	21.3

The total borrowings figure is presented net of unamortised debt issue costs of £0.3m (2016: £0.3m).

Movements in forward currency contracts used to hedge against the exposure to exchange differences due to the timing of cash flows are taken through the Income Statement as it is not Group policy to hedge account for these instruments. At 31 March 2017 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2016: £Nil) (see note 22).

The Group has the following undrawn borrowing facilities:

	2017 £m	2016 £m
Bank loan (committed)	32.9	39.5
Overdrafts	1.0	1.0

21. Provisions

	Reorganisation and leasehold commitments	Environmental £m	Total £m
At 1 April 2016	5.0	0.4	5.4
Exchange differences	0.2	–	0.2
Additions in the year	1.1	0.2	1.3
Release in the year	(0.4)	(0.1)	(0.5)
Utilised in the year	(2.6)	(0.1)	(2.7)
At 31 March 2017	3.3	0.4	3.7
Analysis of provisions:			
Current	1.0	0.3	1.3
Non-current	2.3	0.1	2.4
At 31 March 2017	3.3	0.4	3.7

	Reorganisation and leasehold commitments	Environmental £m	Total £m
At 1 April 2015	1.7	0.7	2.4
Exchange differences	0.2	–	0.2
Additions in the year	4.9	0.1	5.0
Release in the year	–	(0.3)	(0.3)
Utilised in the year	(1.8)	(0.1)	(1.9)
At 31 March 2016	5.0	0.4	5.4
Analysis of provisions:			
Current	3.5	0.4	3.9
Non-current	1.5	–	1.5
At 31 March 2016	5.0	0.4	5.4

– Reorganisation and leasehold commitments
The £3.3m (2016: £5.0m) reorganisation provision relates to dilapidations for leasehold property of £2.5m (2016: £1.8m) and £0.1m (2016: £0.3m) in relation to reorganisation costs. There is also a £0.7m provision relating to the closure of the Rorschach site which is expected to be fully utilised during the coming year.

– Environmental provisions
Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in Europe of £0.4m (2016: £0.4m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next four years.

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

All on continuing operations	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Operating profit	23.8	11.7
Adjustments for:		
Depreciation and amortisation	9.9	7.5
Exceptional pension settlement	(0.3)	(1.6)
Impairment of tangible fixed assets	0.4	1.6
Pensions payments in excess of charge	(4.3)	(4.4)
Share options charge	1.9	1.8
Grant income released	–	(0.1)
Changes in working capital:		
Inventories	1.3	(1.7)
Trade debtors	(1.6)	0.9
Trade creditors	(1.4)	(0.4)
Changes in trading working capital	(1.7)	(1.2)
Other debtors	(0.7)	(1.1)
Other creditors	2.1	(0.4)
Deferred consideration	(0.1)	(0.1)
Net movement in environmental provisions	–	(0.3)
Net movement in reorganisation provisions and leasehold commitments	(0.2)	0.2
Net movement in other provisions	(1.7)	2.9
Cash generated from operations	29.1	16.5

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Cash generated from operations before exceptional items	32.7	19.0
Cash outflows from exceptional items	(3.6)	(2.5)
Cash generated from operations	29.1	16.5

Analysis of cash and cash equivalents and borrowings

	At 1 April 2016 £m	Cash flow £m	Exchange movement £m	At 31 March 2017 £m
Cash and cash equivalents	18.7	(7.7)	1.1	12.1
Borrowings within one year	(1.0)	–	(0.2)	(1.2)
Borrowings after more than one year	(20.3)	(5.9)	(0.8)	(27.0)
Total borrowings	(21.3)	(5.9)	(1.0)	(28.2)
Total	(2.6)	(13.6)	0.1	(16.1)