27 May 2015

Scapa Group plc
Preliminary Results

"Strong revenue, profit and margin growth across our markets"

Scapa Group plc, a leading global manufacturer of bonding materials and solutions, today announces its Preliminary Results for the year ended 31 March 2015.

Financial Highlights

- Revenue grew 4.4% to £236.0m (2014: £226.1m); on a constant currency basis revenue grew 8.3%
- Trading profit* increased 20.0% to £18.6m (2014: £15.5m); on a constant currency basis trading profit grew 27.4%
- Operating profit increased 19.4% to £16.0m (2014: £13.4m)
- Trading profit* margins continued to improve to 7.9% (2014: 6.9%)
- Profit before tax improved 22.3% to £13.7m (2014: £11.2m)
- Underlying earnings per share** increased 26.4% to 9.1p (2014: 7.2p)
- Final dividend increased 50% to 1.5p (2014: 1.0p), reflecting performance and confidence in the business
- Cash generated from operating activities was 110% of operating profit
- Net debt of £3.4m (2014: Net cash £5.4m) after the acquisition of First Water Limited for £11.2m

Operational Highlights

- Growth across all geographies and market segments
- Continued investment in Healthcare, including strategic acquisition of First Water Limited, to further strengthen our proposition
- Launch of MEDIFIX Solutions™ to address the wearable medical market
- Healthcare margins increased to 15.0% (2014: 14.7%)
- Manufacturing footprint optimisation commenced through consolidation of our French facilities
- Initiated consultation with employees on the proposed closure of the Swiss facility
- Industrial margins increased to 6.0% (2014: 5.4%)
- Electronics revenue grew by 28.6% with a margin of 7.6%
- Reorganised into two separate and stand-alone business units supported by a strategic corporate function
- Continue to embed "Scapa Way" to drive an entrepreneurial culture

Commenting on the results Chief Executive, Heejae Chae said:

"This year we delivered a record performance with market share gains resulting in revenue and profit growth across all our markets and regions. We enter the current year with two strong and distinct businesses: Healthcare is evolving as the market leader in outsourcing for our chosen healthcare markets; and Industrial is demonstrating its potential to further maximise ROCE as we focus on the key markets and deliver on its manufacturing strategy (looking forward Electronics will be reported within Industrial). While it is early in the new financial year we expect to continue the momentum and believe the Group is well positioned to make continued progress in the coming year."

* Before amortisation of intangible assets, exceptional items, and legacy pension costs and finance charges
** Underlying 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.

For further information:

Scapa Group plc	Heejae Chae – Chief Executive	Tel: 0161 301 7430
Scapa Group plc	Paul Edwards – Finance Director	Tel: 0161 301 7430
Numis Securities Limited (Nominated Adviser)	Mark Lander/Richard Thomas	Tel: 020 7260 1000
N+1 Singer	Nick Owen	Tel: 0207 496 3000
Weber Shandwick Financial PR	Nick Oborne	Tel: 0207 067 0000

CHAIRMAN'S STATEMENT

The actions we have taken to rebuild Scapa in recent years are delivering results and have laid the foundations for continued growth. This year we delivered strong results against a backdrop of continuing negative macroeconomic conditions and currency movements. Despite these headwinds our performance and market share gains resulted in both revenue and profit growth across all our markets and regions.

Healthcare delivered another good performance establishing itself as the strategic outsourcing partner for our global healthcare customers. Our business model continues to evolve with the changing needs of our customers as they further adopt outsourcing as a part of their manufacturing strategy. We are continuing to invest to ensure that we stay ahead of our customers' expectations and potential competitors. During the year, we have significantly invested in quality, marketing and sales as we further develop our full turn-key offering. Furthermore, to strengthen our innovation and development capabilities, we acquired First Water Limited, a high-quality healthcare business specialising in innovation, design and manufacture of a wide range of hydrogels. Based in the UK, First Water Limited has a strong track record of delivering proven proprietary innovations and technologies. Combining Scapa's strengths in material coating, converting and packaging with First Water Limited's R&D and innovation capabilities will enable us to provide a unique one-stop solution to our customers.

Industrial performed strongly across all regions and markets including Europe and construction. Our focused and customer centric approach enabled us to respond quickly to changing market conditions and gain market share. Incremental revenue delivers additional profit and better margins through improved operating leverage and we will continue to focus on asset allocation to maximise the Return on Capital Employed (ROCE) of our Industrial business. Whilst we have successfully executed many self help initiatives to improve the margin, there remain significant further opportunities and as our market and geographic focus is clarified so is our manufacturing strategy.

In the coming years, we will implement our strategy to further optimise and utilise our assets through consolidation around strategic technology. The first step was taken last year with the consolidation of our facilities in France, which will be completed during fiscal year 2016. In addition we have recently initiated consultation with our employees in Rorschach, Switzerland, as we explore a number of opportunities to optimise the Group's manufacturing footprint. We believe that successful execution of our strategy will deliver margins comparable to our competitors in the Industrial market.

Electronics grew an exceptional 28.6% achieving a margin of 7.6% despite difficult market conditions. Our investment is yielding profitable growth as new products are delivered to the market across Asia. The continuing growth will require additional investment to meet the increasing demand. From fiscal year 2016, the results for Electronics will be consolidated within Industrial, widening the capabilities of the Industrial segment.

Group revenue increased 4.4% to £236.0m (2014: £226.1m) and trading profit increased 20% to £18.6m (2014: £15.5m). On a constant currency basis, revenue and trading profit grew 8.3% and 27.4% respectively, a significant improvement on the prior year. Underlying earnings per share increased 26.4% to 9.1p (2014: 7.2p) and basic earnings per share was 6.5p (2014: 4.6p loss). Strong cash flow and a management focus on working capital ensured that the Group ended the year with net debt of £3.4m (2014: £5.4m net cash) after the acquisition of First Water Limited for £11.2m.

Given the continuing progress and improved performance the Board is proposing to increase the final dividend by 50% to 1.5p (2014: 1.0p). Subject to approval of shareholders at the forthcoming Annual General Meeting the dividend will be paid on 21 August 2015 to shareholders on the register on 24 July 2015. The ex-dividend date is 23 July 2015.

I am delighted to welcome Martin Sawkins to the Board of Scapa as a Non-Executive Director and Chairman of the Remuneration Committee. Martin, who is currently the Group HR Director of Rentokil Initial and a Non-Executive Director at Wincanton plc, joined the Board on 1 January 2015. Martin brings a blend of leadership credentials and a developed commercial awareness to Scapa and I am sure he will make a positive contribution to the Board's governance.

A strong governance structure is important to support the continued growth of our business. The Board remains focused on ensuring its effectiveness and that of governance processes throughout the Group.

We believe that Scapa's strongest competitive advantage is our people and culture. The "Scapa Way", defined by our guiding principles, binds us across regions and businesses. We celebrate entrepreneurship that creates value for our shareholders and we will continue to invest in our people to drive the development of a high performing culture. The success of the Company is down to the continuing hard work, passion and dedication of our people in delivering our strategy and I want to thank the employees of Scapa whose efforts have helped us achieve so much as we lay the foundations for future growth.

Scapa continues to make good progress. As we look forward to the new financial year our strategy is clear and we have a team with a strong track record of delivery. This combination gives me confidence that we are well positioned to exploit the opportunities that exist for the business. I anticipate we will continue to make progress and deliver value to our shareholders over the coming year and beyond.

J A S Wallace
Chairman

CHIEF EXECUTIVE'S STRATEGIC REVIEW

Overview

The Group delivered a record performance this year with strong revenue, profit growth and improved margins across each of our markets. Healthcare continues to execute its strategy of moving up the value chain by expanding its offerings and capabilities. We continue to develop new customers and to further build and convert the pipeline of programmes. We also completed the acquisition of First Water Limited during the year to further support the Healthcare strategy. Industrial's focused and customer centric approach enabled us to respond quickly to challenging market conditions and gain market share. As a result, our performance across all regions was well ahead of the market and GDP growth.

We enter the current year with two strong and distinct businesses, each with specific strategy and requirements. Healthcare is evolving as the market leader in outsourcing for our chosen healthcare markets, and we will continue to invest in developing our proposition as the full turn-key outsourcing partner of choice for our global healthcare customers. Industrial is demonstrating its potential to further maximise ROCE as we focus on key markets and deliver our manufacturing strategy. To ensure that each business is driven accordingly, we have reorganised the Company from a market-based matrix organisation into two stand-alone business units supported by a strategic corporate function.

Our performance in 2014/15

The Group delivered an excellent performance this year with Group revenue increasing to £236.0m or 8.3% on a constant currency basis. Healthcare revenue increased to £73.8m, growing 7.9% at constant exchange rates, and reflected the successful launch of a new product in the first half of the year for one of our major global wound care customers. Industrial revenue increased to £147.8m, growing 6.6% at constant currency, driven by market share gain and improved share of our customers' spend as we responded to changing market conditions throughout the year. Electronics finished the year strongly despite difficult market conditions in Asia. The success was driven following a new product launch across the region. The Electronics segment will be reported within Industrial from next year and we will continue to invest in opportunities that will drive growth and improve our return on invested capital.

Group trading profit increased to £18.6m, growing 27.4% at constant exchange rates, and margins increased to 7.9%. We continue to improve our customer engagement to better demonstrate our value proposition while adopting a progressive and more strategic approach to pricing; the effect has been margin improvement across all our segments. Cash generation was in line with expectations and we ended the year with net debt of £3.4m after the acquisition of First Water Limited for £11.2m.

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 to move up the value chain by expanding our offerings and capabilities: During the year, we made significant investments to further develop our full turn-key offerings. We launched MEDIFIX Solutions™ to address the wearable market; upgraded quality capabilities to meet pharmaceutical standards; and acquired First Water Limited to strengthen our innovation and development capabilities. As a result, we further developed our relationship with Johnson & Johnson as part of its "Supplier Enabled Innovation" initiative.

Industrial: Automotive and Cable - focus on developing strategic partnerships where we have critical mass and position on which to leverage, accelerating the shift from product to solution selling: Automotive made good progress, growing at double digit rates. Through a dedicated global resource we will continue to work on new projects and products to ensure that they are specified in the next generation platforms.

Industrial: Construction and Specialty Products - leverage our brands and market position to grow our market share through expansion of both point of sales and product range. Continue to lower the cost to serve through technology and further focusing our sales strategy. We continue to improve our performance with high single digit growth across both sectors. Our market share is growing through increased point of sales and customer expansion. Margins are improving as we maintain a tight control of the cost base. Our European business, which is focused on construction markets, grew 3.5% in a declining market.

Acquisitions remain part of the Group's strategy and will help support growth through adding capabilities, product offerings and services as well as geographies or channels to the current portfolio: During the year we successfully completed the acquisition of First Water Limited, a high-quality healthcare business specialising in innovation, design and manufacturing of a wide range of hydrogels. The business improves our capabilities in Healthcare, broadens our technology portfolio and customer base and improves our manufacturing infrastructure with its dedicated Healthcare facility.

Continue to improve our margins by maintaining the process of self-help and good cost control: We have delivered good operating leverage through maintaining control of cost while increasing our volume throughput. In addition we continue to invest in further self-help initiatives and last year we commenced the consolidation of our facilities in France with a view to improving utilisation and optimising our asset base.

Culture: Instill an entrepreneurial culture to align 1,200+ people across 11 countries to achieve common objectives: We remain committed to developing the culture of Scapa in line with our stated aims of value creation through fostering entrepreneurship. During the year, we launched the "Scapa Way" defined by our guiding principles which binds us across regions and businesses. We celebrate entrepreneurship that creates sustainable shareholder value.

2015/16 strategic goals and priorities
Looking into the 2015/16 financial year, the strategic emphasis will be on:

Healthcare: Continue to build on our successes and invest in developing our proposition as the full turn-key solution partner of choice for our global healthcare customers.

Industrial: Increase ROCE through optimising the asset base focus on capital asset allocation by consolidating around strategic technology clusters aligned to focused markets and customers.

Simplify and enhance our operating model to allow for better allocation of resources and permit the Group to invest in growth opportunities that provide the best financial returns.

Acquisitions that supplement organic growth: We will continue to look for acquisitions that complement our portfolio of businesses and support our growth with the aim of improving access to our customers' supply chain through adding new capabilities, product offerings, technologies, customers, geographies or channels.

Continue to improve our margins by maintaining the process of self-help and good cost control.

Drive cultural transformation: Continue to invest in our people and further embed the culture programme underpinned by a framework of entrepreneurship and clear guiding principles.

Outlook
The Group continues to make good progress which is reflected in our financial performance. We remain confident in our strategy but will remain agile in response to market conditions. While it is early in the new financial year we expect to continue the momentum and believe the Group is well positioned to make continued progress in the coming year.

BUSINESS REVIEW - HEALTHCARE

Market trends and overview
The key driver for the Healthcare industry is the delivery of the highest possible quality products and care to the maximum number of people at the lowest possible cost. The markets in advanced wound care, medical devices, consumer wellness and drug delivery have responded to this and continue to embrace the need to outsource with chosen partners across the whole supply chain to remain efficient and competitive. The trends which we have highlighted in the past continue and as the market evolves, new opportunities are developing.

As major global Healthcare companies concentrate on their core competencies of research and development, marketing and product distribution, they are increasingly outsourcing manufacturing, especially where production can be obtained through partnerships with suppliers, significantly reducing their need for investment in infrastructure. These Healthcare market leaders are looking for trusted partners with expertise to enhance their product development process, while at the same time looking to significantly improve their processes from conception to production, maintaining strict adherence to quality, design and cost control and improving their speed to market to enhance their competitive position.

Consolidation within the Healthcare market has both expanded the markets for the end products that Scapa produces and opened partnerships with market leaders. Consolidation has also opened up opportunity for smaller market participants which have innovative technologies with the potential for rapid growth but which typically do not have the specialised materials and manufacturing capabilities provided within Scapa's Skin Friendly Turn-Key solution supply chain. Through our internal strategic development and more latterly the acquisition of First Water Limited, we have been able to take advantage of this trend and commence development projects leading to production with several of these emerging companies.

Scapa Healthcare's innovation strategy is seeing us build a pipeline of both research and development innovations and new customer development projects that will continue to drive the business forward.

This year saw the launch of MEDIFIX Solutions™ as a complete Turn-Key solution for wearable mobile device applications. This enables us to offer efficient custom development and scalable production across the diverse and growing spectrum of wearable applications, including remote patient monitoring, continuous glucose monitoring and catheter securement for drug delivery. The technical demands on the manufacturer in this niche market are considerable as there is a need for the solution to address not only the physical properties of the wearable device itself, but also factors such as the skin type and age of the patient population, whether the device will be exposed to moisture, whether it is a long- or short-wear application, and many others.

To assist in promoting the brand and raising awareness of our capabilities and service we launched our new Healthcare website (www.scapahealthcare.com) in November 2014. It has extensive content dedicated to the healthcare market place and our products and manufacturing capabilities.

Strategy and business model

Our strategic focus continues to be on the provision of Skin Friendly Turn-Key solutions in the four global sectors in which we operate; advanced wound care, medical devices, consumer wellness and transdermal/drug delivery.

Scapa Healthcare's predominant strategy is to remain as a B2B partner to our global Healthcare customers, supporting them in launching new products for the healthcare market. Along with our Turn-Key capabilities this has enabled Scapa Healthcare to continue to build long-term trusted relationships with our customers which is supported by long-term contracts that provide visible and secure streams of income for the business.

To enhance our proposition we constantly look to increase strategic engagement with our customers. This can be through development contracts and structured programmes while expanding our technology and product portfolio, sales channels, manufacturing capacity and quality systems to ensure we improve our relevance to our customers and increase our share of the customer total spend. We aim to be our customers' strategic outsourcing partner of choice which requires us to focus on the full supply chain and complete production process from the design and selection of raw materials, through converting and packaging, to sterilisation and logistics.

Quality remains at the heart of everything we do and is the basis of our trusted customer relationships. With dedicated global Healthcare quality teams working across all of our operating sites, all product development and production is subject to rigorous quality control procedures. We continue to invest in our quality systems, resources and manufacturing infrastructure to meet the highest industry standards within the sector.

We will continue to expand and strengthen our current capabilities and also to monitor the gaps in our value chain. We will invest and acquire as and where necessary to support customers, explore new platforms and adjacent markets and provide a foundation for future growth.

2014/15 performance

Healthcare continued to make good progress this year, increasing revenue by 7.9% at constant exchange rates, in line with guidance at the interim results. As a large successful product launch for one of our major wound care customers filled the supply chain, growth was slower in the second half of the year. Margins increased to 15.0% and trading profit growth was 8.8%. With good visibility of revenue and a growing pipeline we have continued to invest in strategic engagement and quality systems to support the anticipated future growth of the business.

First Water Limited

In February 2015 we acquired First Water Limited – a high-quality healthcare innovation, design and manufacturing company based in the UK.

First Water Limited makes a wide range of hydrogels, based on ionic polymer systems which are super-absorbent and electrically conductive. They can be used to manufacture high performance sheet hydrogel dressings for use in wound care and consumer wellness. First Water Limited has intellectual property in the formulation and manufacture of these polymers, and also in several product platforms which combine these systems with other widely used materials, for example PU films, gelling fibres and PU foams. This is an exciting fast developing area within wound care.

The acquisition fits our business to business model and further enhances our growth opportunities by broadening our technology portfolio and customer base. In addition First Water Limited strengthens our global manufacturing infrastructure with its Healthcare dedicated facility generating additional Turn-Key manufacturing capacity in Europe thus meeting several of our key strategic objectives.

Our initial priority is to execute the projects that are already on hand and integrate the business into the Scapa Healthcare family before adding new strategic projects to the pipeline, with the ambition to significantly grow and develop the business further. This ambition will benefit from First Water Limited's highly experienced management team remaining within the enlarged Group.

Outlook

Our strategy is working. Our Turn-Key value proposition resonates with customers and as our brand and reputation continue to expand, the pipeline of development projects and opportunities continues to grow. We are actively engaged with major Healthcare companies at every level in the value chain, most importantly strategically as we work ever closer with our customers on future opportunities. We will continue to invest in the business to develop the tools, infrastructure and talent to deliver the service that leading global healthcare providers require from their partners.

We remain very positive about the future for Scapa Healthcare.

BUSINESS REVIEW – INDUSTRIAL

Market trends and overview

The Industrial business operates across a wide range of market segments and geographies. Our market focus is on Automotive, Cable, Construction and Specialty Products where we have critical mass and leverageable positions. Our strategy is to grow by continuing the progress to date of customer partnership through strategic engagement, and maintaining a clear and focused customer centric philosophy. This continues to pay dividends as we have gained market share and delivered growth above general economic growth in the markets we participate in.

Global automotive industry production volumes continue to improve and increased to a record number of units in 2014/15. The growth has been led by a strong recovery in the North American market with Europe also growing, albeit at a more modest level. Our core products are bonding solutions used in wiring harness for electrical distribution, seat heating systems and assembly applications. The trend in car design is positive for Scapa as the focus in fuel efficiency and increasing electronics drives greater application of our products.

Our cable products are primarily used in power transmission (high voltage, submarine) and communication (fibre optics) and act as a protective layer over the transmission cable. Our products require high reliability; the performance and quality of our products are valued by our customers as deficiency in application carries significant costs for failure. Typical end use applications are in oil and gas platforms, wind turbines, fibre optic networks and infrastructure related projects. While opportunities for future growth remain in this market the downturn in oil prices this year has resulted in a postponement of energy projects with our key clients.

Our construction related business operates across a broad range of end markets and geographies and performance generally trends with the macroeconomic environment of the regions in which we participate. The outlook for the construction market across the world is positive with broader macroeconomic recoveries being seen across our markets, albeit at varying rates. The North American market is particularly strong and was reflected in our double digit growth this year. We see a slower recovery in Europe particularly in France where we have a strong market position. Our products are sold to both trade and retail markets but through different channels. In North America, we sell primarily through our distribution network to the trade market and in Europe we market our products under our Barnier® brand which is predominantly sold through builders' merchants and distributors. In general we are seeing increasing usage of our products as their performance improvements and advantages are displacing the more traditional fixation methods of using nails and mechanical fixings. Additionally, higher environmental and energy requirements are driving the demand for products with higher specifications such as ours.

In addition to our broad industrial products we also participate in end markets where we have niche positions. As examples we are market leaders in hockey tapes in North America which are sold through most major retailers in Canada and Northern US; we also have a strong market position in protective laminates for the ski market and we are a leading supplier in the smart card market where our products are used to adhere the chip to the card in the majority of the world's credit cards.

Strategy and business model

The Industrial business has grown and developed into a market focused business separated into four key segments of Automotive, Cable, Construction and Specialty Products. With a global footprint we have the capability to address each of these segments and customers who have a global supply chain, through a network of manufacturing and product conversion facilities. We have successfully expanded our presence in developing markets to further enhance our global proposition and develop a presence in those markets that have good growth potential.

Whilst the growth of revenue has increased profitability we also look to continue to drive efficiency and improve returns, which has seen margins increase every year over the last five years. There remains significant opportunity to further develop this agenda. As our market focus has clarified so has our manufacturing strategy which will focus on optimal asset allocation and improvement of ROCE. We will look to improve returns through optimising our marginal profit by loading existing assets and improving utilisation. Following the consolidation of our facilities in France, over the coming years we plan to continue to further optimise our manufacturing footprint. To complement this and drive further growth and margin expansion we will continue to invest in and develop a more holistic approach to our pricing strategy to ensure our pricing better reflects the Group's strategic objectives and utilises a market based approach to optimise pricing and profitability.

The majority of our products are application specific where we look to apply our technologies to solve our customers' problems. We have strong expertise in a wide range of coating technologies and build upon this by engaging with our customers in the design process, to better understand their requirements and ensure we provide our customers with the solutions they need to succeed.

- Our Automotive products are specified by numerous global manufacturers and we seek to maximise market share by positioning the business to capture orders regardless of the geographical location of the customer. We have a global approach and dedicated resources to ensure that our products are specified in the next generation platforms.

- Cable is a market with a small number of suppliers and is project based with a long sales cycle. We sell through a dedicated organisation and we look to adopt a strategic partnership by integrating ourselves within the customer supply chain to ensure that we participate in new developments and projects.

- In Construction, our strategy is to gain market share through increasing the points of sale, expanding into new geographies and developing our portfolio through extension beyond the core products

- Specialty Products - we have demonstrated that we have the ability to adapt to market trends, gain market share, drive operational efficiency and improve returns through a customer centric approach and focused portfolio management

2014/15 performance
This has been a year of good progress in Industrial with revenue of £147.8m, representing growth of 6.6% at constant exchange rates. Trading profit increased to £8.9m or by 21.9% at constant exchange rates and margin improved to 6.0% from 5.4% in the prior year. The performance benefitted from double digit growth in North America with strong performances across all our end sectors. This partly reflected the continued improvement in the market but more importantly our ability to gain market share and a greater share of our customers' spend. Europe grew more modestly but saw a very positive performance given the uncertainty and currency headwinds throughout the year. Key to our success was the ability to react quickly to the shifting market conditions and currency fluctuations, specifically in Switzerland where we saw a significant appreciation of the Swiss Franc towards the end of the year.

Outlook
With the progress the Industrial business has made in the last few years it is well placed to benefit from structural growth as well as the opportunities it has to improve the ROCE through optimising the asset utilisation and capital allocation. Future prospects remain positive.

BUSINESS REVIEW – ELECTRONICS

Market trends and overview
While the general market in Asia has been particularly difficult this year, the global market for consumer electronics continues to be driven by rising consumer demand aided by continued development and shorter product life-cycles. We have positioned ourselves to take advantage of this trend and are maintaining our strategy of building our expertise within defined segments to improve our capabilities and knowledge. In particular we continue to focus on mobile phone and touchscreen applications supplemented by opportunities in broader areas of the market.

Strategy
Our ability to respond quickly to customer needs and develop products and solutions that solve their problems is intended to ensure that we deepen our relationships and obtain a greater share of our customers' spend. This year saw the hard work and strategic direction begin to yield dividends.

The overwhelming majority of growth this year was delivered through mobile phone touchscreen applications, using our AFT (acrylic foam tape) and was focused on South Korea and China. Our Korean manufacturing plant's capacity is now highly utilised and we are evaluating future investments to expand capacity and improve our technology in line with market demand.

2014/15 performance
Electronics revenue increased 28.6% to £14.4m (2014: £11.2m); trading profit increased to £1.1m (2014: loss of £0.2m), delivering a margin of 7.6%. The significant improvement in performance follows a period of development in our Asia business and investment in products and applications for the consumer electronics and wider markets.

Outlook
This has, in some ways, been a breakthrough year for our Electronics business. However, it still represents only a small percentage of Group revenue and needs to achieve further critical mass. We will maintain our investment and develop the market going forward. From fiscal year 2016, the results for Electronics will be consolidated within Industrial, widening the capabilities of the Industrial segment.

FINANCE DIRECTOR'S REVIEW

Overview
2015 was a good year for the Group as we continued to make progress and deliver another set of strong results. We have seen growth in revenue and profits and increased our margins in each of our three markets. Good cash generation supports our increased dividend and the Group's financial position remains strong.

Record revenue and profits
Group revenue increased by 4.4% to £236.0m (2014: £226.1m); on a constant currency basis growth was 8.3%. Healthcare revenue was £73.8m (2014: £69.2m), an increase of 6.6% or 7.9% on a constant currency basis. Industrial revenue was £147.8m (2014: £145.7m), an increase of 1.4% or 6.6% on a constant currency basis. Electronics revenue grew 28.6% to £14.4m (2014: £11.2m).

The Group delivered another record year for trading profit, which increased by 20.0% to £18.6m (2014: £15.5m), up 27.4% on a constant currency basis. Trading profit margin improved to 7.9% (2014: 6.9%). Healthcare contributed £11.1m (2014: £10.2m) improving the margin to 15.0% (2014: 14.7%). Industrial contributed trading profit of £8.9m (2014: £7.9m) with an improved margin of 6.0% (2014: 5.4%). Total Group operating profit was £16.0m (2014: £13.4m) after charging pension administration costs of £0.7m (2014: £0.8m), intangible amortisation costs of £1.4m (2014: £1.5m) and exceptional acquisition costs for First Water Limited of £0.5m (2014: £0.2m credit). Trading profit has been adjusted for these items to give better clarity of the underlying performance of the Group.

Net finance costs
There was a small increase in net finance costs to £2.3m (2014: £2.2m). Net cash interest payable of £0.7m (2014: £0.6m) relates to the Group's committed £40m facility which is competitively priced and matures in June 2018. The Group has further access at short notice to an additional £20m uncommitted "Accordion" facility. Notional interest remained unchanged at £1.6m (2014: £1.6m) and relates to the Group legacy defined benefit pension plans.

Taxation
The Group has operating subsidiaries in many countries. The Group's effective tax rate is a blend of the different national rates 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.

The Group's tax charge of £4.2m (2014: £17.9m) includes a £4.5m charge (2014: £4.4m) on trading activities, and a £0.3m credit (2014: £0.4m charge) on exceptional items.

The underlying effective rate excluding exceptional items and the change in rate of UK corporation tax has decreased to 25.0% (2014: 29.5%). This underlying rate is higher than the UK standard rate because the national rates applied to local profits are generally higher than the UK standard rate of 21.0%.

The Group's cash tax payment in the year was £3.9m (2014: £2.7m), or 20.9% of underlying profit before tax. Despite the one-off capital gains tax paid on the sale of our French facility in Branly, cash tax remains below the effective tax rate as the Group utilises the significant brought forward losses. As the Group continues to increase its profitability cash tax payments will increase in line with the effective tax rate as brought forward losses are utilised.

Acquisition activity
Acquisitions are an important part of our operating model, ensuring that the Group can sustain growth by adding new capabilities, products and services. At the end of February 2015 we acquired 100% of the share capital of First Water Limited, a healthcare business specialising in innovation, design and manufacture of a wide range of hydrogels for the Healthcare market, for £11.2m. Under the earn-out terms of the deal a further £4.0m may become payable dependent upon attainment of future profit. This could bring the total cost to £15.2m. Under IFRS rules the future payments will be treated as post combination services as the former owners of First Water Limited are expected to continue to operate the business. Any earn-out payments will not be reported in trading profit but will be separated out and reported as exceptional items in future accounts.

Improvement in underlying earnings per share
Underlying earnings per share was 9.1p (2014: 7.2p) and basic earnings per share was 6.5p (2014: 4.6p loss).

Cash flow and net debt
The Group continued to see healthy cash generation and closing net debt was £3.4m (2014: £5.4m net cash) despite the acquisition of First Water Limited for £11.2m.

Net cash generated from operating activities was £17.6m (2014: £10.3m) which represented 110.0% of operating profit. Net cash interest paid was £0.6m (2014: £0.5m); borrowing levels have remained relatively low and consistent year over year. Income tax paid was £3.9m (2014: £2.7m) with the increase being partly from enhanced profits, but mainly from capital gains tax paid in France on the sale of the Branly site. The sale proceeds of Branly continue to be reinvested in our site in Palissy, France. The project accounts for £2.6m of the total capital expenditure of £7.5m this year (2014: £4.9m) and includes the costs of vacating the old premises and building and refitting the new site.

Net outflow on acquisitions was £8.8m (2014: £2.2m) being entirely the purchase of First Water Limited in February 2015.

Net debt to EBITDA
We use debt to help fund our growth and we review our funding needs and the structure of borrowing regularly. The Group entered into a £40m revolving credit facility in January 2014 with an additional £20m uncommitted “accordion” facility which can be accessed with short notice. This facility is considered appropriate for our current needs.

At the year end net debt was £3.4m (2014: £5.4m net cash). The ratio of net debt to EBITDA was 0.14 times, giving significant headroom against our facility covenant of 3 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 50% increase in the full year dividend with a final dividend of 1.5p (2014: 1.0p). This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. Dividend cover (being the ratio of earnings per share before exceptional items, amortisation of intangible assets and legacy pension items) is 6.1 times. If approved at the Annual General Meeting the final dividend will be paid on 21 August 2015 to shareholders on the register on 24 July 2015.

Our objective is to maximise long-term shareholder returns through a disciplined deployment of cash. To support this we have adopted a cash allocation policy that allows for: 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 progression on post-retirement benefits
The Group does not have any material defined benefit schemes in operation. The majority of the post-retirement benefit schemes for qualifying employees are defined contribution. The pension deficits carried on the Group’s Balance Sheet relate to schemes that have been closed to both new members and future accrual for many years, and some very small overseas arrangements that are technically classed as defined benefit.

The principal pension deficit under the closed schemes is based in the UK. Addressing the cost and volatility of the UK legacy pension deficit remains the Group’s primary pension objective. Over recent years we have completed several significant projects aimed at achieving this goal. In the current year we implemented a flexible retirement option project for a sub-set of pensioners; the effect was to eliminate £6.2m from liabilities in the UK scheme as at 31 March 2015. The project progressed beyond the year end and concluded with over 100 members leaving the scheme and so reducing future volatility and the UK liabilities by approximately 7%. We have a pipeline of similar pension projects and will continue to execute projects into the future that provide the right balance of member and Company benefits.

It is the scheme’s ongoing actuarial valuation base that determines the cash payments into the UK plans and we continue to make deficit repair contributions as agreed with the trustees. In the current year we made contributions of £3.5m (2014: £3.5m) under the CAR arrangement that was put in place in 2012. We expect this contribution to continue and we have the objective of buying out the pension scheme within the next 10 years. Overseas cash contributions were £0.8m (2014: £0.8m). Expenses of £0.7m (2014: £0.8m) in relation to the pension schemes are reported through operating profit under IAS 19 (revised), bringing total cash commitments to £5.0m (2014: £5.1m).

During the year the fair value of the scheme assets increased by £19.5m which was slightly higher than the increase in total liabilities of £19.3m. The increase in liabilities was almost entirely driven by a decrease in the rate used to discount the liabilities, being 3.4% (2014: 4.4%). 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. The overall deficit in the scheme is £39.8m (2014: £40.0m).

Shareholders' funds

Shareholders' funds increased by £14.1m to £61.8m (2014: £47.7m). Profit after tax was £9.5m (2014: £6.7m loss). The pension loss in the period was £2.2m (2014: £2.2m). Movements in equity relating to share issues, share options and share dividends netted to nil (2014: £0.1m). Favourable currency impact on overseas asset values was £4.8m (2014: £7.1m unfavourable) and tax credits booked directly to reserves were £0.1m (2014: £2.1m charge).

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.

We choose key performance indicators that reflect our strategic priorities of investment, growth and profit. These KPIs are part of our day-to-day management of the business and in the year ahead we will focus on growth and value creation and the integration of our recent acquisition. In this way we aim to deliver continued value to shareholders.

Consolidated Income Statement
For the year ended 31 March 2015

All on continuing operations	note	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Revenue	2	**236.0**	226.1
Operating profit	2, 4	**16.0**	13.4
Trading profit*		**18.6**	15.5
Amortisation of intangible assets		**(1.4)**	(1.5)
Exceptional items	5	**(0.5)**	0.2
Pension administration costs		**(0.7)**	(0.8)
Operating profit		**16.0**	13.4
Finance costs	7	**(2.3)**	(2.2)
Profit on ordinary activities before tax		**13.7**	11.2
Taxation on operating activities		**(4.5)**	(4.4)
Taxation on exceptional items and pension administration costs		**0.3**	(0.4)
Exceptional deferred tax write off		**–**	(11.3)
Impact of change in tax rate on deferred tax		**–**	(1.8)
Taxation charge	8	**(4.2)**	(17.9)
Profit/(loss) for the year		**9.5**	(6.7)
Weighted average number of shares	9	**146.8**	146.4
Basic earnings/(loss) per share (p)	9	**6.5**	(4.6)
Diluted earnings/(loss) per share (p)	9	**6.2**	(4.4)
Underlying earnings per share (p)	9	**9.1**	7.2

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2014

All on continuing operations	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Profit/(loss) for the year	**9.5**	(6.7)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translating foreign operations	**4.8**	(7.1)
Actuarial loss	**(2.2)**	(2.2)
Items that will not be reclassified subsequently to profit and loss:		
Deferred tax on actuarial loss	**1.6**	0.1
Deferred tax through other comprehensive income	**0.1**	(0.4)
Exceptional deferred tax through other comprehensive income	**–**	(1.5)
Effect of reduction in UK corporation tax rate on deferred tax	**–**	(0.2)
Other comprehensive income/(expense) for the year	**4.3**	(11.3)
Total comprehensive income/(expense) for the year	**13.8**	(18.0)

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

Consolidated Balance Sheet
As at 31 March 2015

	note	**31 March 2015 £m**	31 March 2014 £m
Assets			
Non-current assets			
Goodwill	12	**33.9**	24.1
Intangible assets	13	**5.6**	3.4
Property, plant and equipment	14	**42.0**	35.7
Deferred tax asset	8	**9.1**	8.0
		90.6	71.2
Current assets			
Assets classified as held for sale	15	**–**	–
Inventory	16	**24.8**	24.1
Trade and other receivables	17	**46.0**	42.3
Current tax asset		**0.4**	0.3
Cash and cash equivalents	18	**16.7**	13.6
		87.9	80.3
Liabilities			
Current liabilities			
Financial liabilities:			
Borrowings and other financial liabilities	20	**(1.3)**	(0.1)
Derivative financial instruments		**–**	(0.1)
Trade and other payables	19	**(44.8)**	(43.1)
Deferred consideration	11	**(0.1)**	–
Current tax liabilities		**(0.9)**	(1.7)
Provisions	21	**(1.0)**	(1.4)
		(48.1)	(46.4)
Net current assets		**39.8**	33.9
Non-current liabilities			
Financial liabilities:			
Borrowings and other financial liabilities	20	**(18.8)**	(8.1)
Trade and other payables	19	**(0.2)**	(0.2)
Deferred consideration	11	**(0.1)**	–
Deferred tax liabilities	8	**(6.5)**	(5.1)
Non-current tax liabilities		**(1.8)**	(1.9)
Retirement benefit obligations		**(39.8)**	(40.0)
Provisions	21	**(1.4)**	(2.1)
		(68.6)	(57.4)
Net assets		**61.8**	47.7
Shareholders' equity			
Ordinary shares		**7.4**	7.3
Share premium		**0.4**	0.2
Retained earnings		**36.0**	27.0
Translation reserve		**18.0**	13.2
Total shareholders' equity		**61.8**	47.7

Consolidated Statement of Changes in Equity
For the year ended 31 March 2015

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2013	7.3	0.2	20.3	37.8	65.6
Employee share option scheme – value of employee services	–	–	–	0.8	0.8
Dividends to shareholders	–	–	–	(0.7)	(0.7)
Currency translation differences	–	–	(7.1)	–	(7.1)
Actuarial loss on pension schemes	–	–	–	(2.2)	(2.2)
Deferred tax on actuarial loss	–	–	–	0.1	0.1
Deferred tax in other comprehensive income	–	–	–	(0.4)	(0.4)
Exceptional deferred tax in other comprehensive	–	–	–	(1.5)	(1.5)
Effect of reduction in UK corporation rate on deferred	–	–	–	(0.2)	(0.2)
Net expense recognised directly in equity	–	–	(7.1)	(4.2)	(11.3)
Loss for the period	–	–	–	(6.7)	(6.7)
Total comprehensive expense	–	–	(7.1)	(10.9)	(18.0)
Balance at 31 March 2014	7.3	0.2	13.2	27.0	47.7
Employee share option scheme – value of employee services	–	–	–	1.5	1.5
Dividends to shareholders	–	–	–	(1.5)	(1.5)
Issue of shares	0.1	0.2	–	–	0.3
Currency translation differences	–	–	4.8	–	4.8
Actuarial loss on pension schemes	–	–	–	(2.2)	(2.2)
Deferred tax on actuarial loss	–	–	–	1.6	1.6
Deferred tax through other comprehensive income	–	–	–	0.1	0.1
Net income/(expense) recognised directly in equity	–	–	4.8	(0.5)	4.3
Profit for the period	–	–	–	9.5	9.5
Total comprehensive income	–	–	4.8	9.0	13.8
Balance at 31 March 2015	**7.4**	**0.4**	**18.0**	**36.0**	**61.8**

Consolidated Cash Flow Statement
For the year ended 31 March 2015

All on continuing operations	note	**Year ended 31 March 2015 £m**	Year ended 31 March 2014 £m
Cash flows from operating activities			
Net cash flow from operations	22	**17.6**	10.3
Cash generated from operations before exceptional items	22	**18.3**	10.1
Cash (outflows)/inflows from exceptional items	22	**(0.7)**	0.2
Net cash flow from operations		**17.6**	10.3
Net interest paid		**(0.6)**	(0.5)
Income tax paid		**(3.9)**	(2.7)
Net cash generated from operating activities		**13.1**	7.1
Cash flows used in investing activities			
Acquisition of subsidiary	11	**(8.8)**	(2.2)
Purchase of property, plant and equipment		**(7.5)**	(4.9)
Proceeds from sale of property, plant and equipment		**–**	4.3
Net cash used in investing activities		**(16.3)**	(2.8)
Cash flows generated from/(used in) financing activities			
Dividends		**(1.5)**	(0.7)
Issue of shares		**0.3**	–
Increase in borrowings		**28.1**	9.8
Repayment of borrowings acquired	11	**(2.2)**	–
Repayment of borrowings		**(18.7)**	(11.5)
Net cash generated from/(used in) financing activities		**6.0**	(2.4)
Net increase in cash and cash equivalents		**2.8**	1.9
Cash and cash equivalents at beginning of the year		**13.6**	12.6
Exchange gains/(losses) on cash and cash equivalents		**0.3**	(0.9)
Total cash and cash equivalents at end of the year	18	**16.7**	13.6

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 2015. 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 2015.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2015. 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 trades across three business units: Healthcare, Industrial and Electronics, and in three main geographical areas: Europe, North America and Asia. All inter-segment transactions are made on an arm's-length basis. The Group has continued to focus more on business units than geographical areas for strategic planning of the Group. Geographical information is presented to provide supplementary information about the areas in which the Group operates for the benefit of investors.

The chief operating decision maker relies primarily on turnover and trading profit to assess the performance of the Group and make decisions about resources to be allocated to the 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 consistent exchange rates. The prior year results have been restated as shown on the following page.

Segment results

The segment results for the year ended 31 March 2015 are as follows:

	Healthcare £m	Industrial £m	Electronics £m	Head office £m	Group £m
External revenue	73.8	147.8	14.4	–	236.0
Trading profit/(loss)	11.1	8.9	1.1	(2.5)	18.6
Amortisation of intangible assets	(1.4)	–	–	–	(1.4)
Exceptional items	(0.5)	–	–	–	(0.5)
Pension administration costs	–	–	–	(0.7)	(0.7)
Operating profit/(loss)	9.2	8.9	1.1	(3.2)	16.0
Net finance costs					(2.3)
Profit on ordinary activities before tax					**13.7**
Tax charge					(4.2)
Profit for the year					**9.5**

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	102.5	117.5	16.0	–	236.0
Trading profit/(loss)	7.1	13.4	0.6	(2.5)	18.6
Amortisation of intangible assets	(0.1)	(1.3)	–	–	(1.4)
Exceptional items	(0.5)	–	–	–	(0.5)
Pension administration costs	–	–	–	(0.7)	(0.7)
Operating profit/(loss)	6.5	12.1	0.6	(3.2)	16.0
Net finance costs					(2.3)
Profit on ordinary activities before tax					**13.7**
Tax charge					(4.2)
Profit for the year					**9.5**

Revenue is allocated based on the country in which the order is received. All revenue relates to the sale of goods. 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	92.7	111.5	15.0	16.8	236.0

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

The segment results for the year ended 31 March 2014 are as follows:

	Healthcare £m	Industrial £m	Electronics £m	Head office £m	Group £m
External revenue	69.2	145.7	11.2	–	226.1
Trading profit/(loss)	10.2	7.9	(0.2)	(2.4)	15.5
Amortisation of intangible assets	(1.5)	–	–	–	(1.5)
Exceptional items	1.2	(0.7)	–	(0.3)	0.2
Pension administration costs	–	(0.3)	–	(0.5)	(0.8)
Operating profit/(loss)	9.9	6.9	(0.2)	(3.2)	13.4
Net finance costs					(2.2)
Profit on ordinary activities before tax					**11.2**
Tax charge					(17.9)
Loss for the year					**(6.7)**

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	103.1	110.5	12.5	–	226.1
Trading profit/(loss)	6.7	11.8	(0.6)	(2.4)	15.5
Amortisation of intangible assets	–	(1.5)	–	–	(1.5)
Exceptional items	(0.5)	1.0	–	(0.3)	0.2
Pension administration costs	(0.3)	–	–	(0.5)	(0.8)
Operating profit/(loss)	5.9	11.3	(0.6)	(3.2)	13.4
Net finance costs					(2.2)
Profit on ordinary activities before tax					**11.2**
Tax charge					(17.9)
Loss for the year					**(6.7)**

Revenue is allocated based on the country in which the order is received. All revenue relates to the sale of goods. 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	94.5	105.1	12.1	14.4	226.1

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	Electronics £m	Head office £m	Group £m
External revenue	69.2	145.7	11.2	–	226.1
Foreign exchange	(0.8)	(7.0)	(0.3)	–	(8.1)
Underlying external revenue	68.4	138.7	10.9	–	218.0
Trading profit/(loss)	10.2	7.9	(0.2)	(2.4)	15.5
Foreign exchange	(0.2)	(0.6)	(0.1)	–	(0.9)
Underlying trading profit/(loss)	10.0	7.3	(0.3)	(2.4)	14.6

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	103.1	110.5	12.5	–	226.1
Foreign exchange	(4.9)	(2.9)	(0.3)	–	(8.1)
Underlying external revenue	98.2	107.6	12.2	–	218.0
Trading profit/(loss)	6.7	11.8	(0.6)	(2.4)	15.5
Foreign exchange	(0.3)	(0.5)	(0.1)	–	(0.9)
Underlying trading profit/(loss)	6.4	11.3	(0.7)	(2.4)	14.6

Geographical information

The Group's revenue from external customers, based upon the location where the sale occurred, and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) are detailed below:

	Revenue from external customers 2015 £m	Revenue from external customers 2014 £m	**Non-current assets 2015 £m**	Non-current assets 2014 £m
USA	**92.0**	89.2	**40.7**	37.8
France	**40.0**	40.8	**5.9**	3.3
UK	**30.2**	30.2	**17.9**	5.0
Canada	**25.5**	21.3	**6.2**	6.4
Other countries	**48.3**	44.6	**10.8**	10.7
	236.0	226.1	**81.5**	63.2

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 2015 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**
Inventory	11.5	11.0	2.3	–	24.8
Trade receivables (net)	20.3	18.9	3.6	–	42.8
Trade payables	(18.4)	(9.3)	(0.9)	(0.9)	(29.5)
Cash	8.3	5.2	1.5	1.7	16.7
Additions of property, plant and equipment	5.2	2.1	0.2	0.2	7.7

The assets and liabilities at 31 March 2014 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Inventory	11.1	11.2	1.8	–	24.1
Trade receivables (net)	21.4	15.6	2.4	–	39.4
Trade payables	(19.8)	(9.3)	(0.6)	(0.9)	(30.6)
Cash	6.7	4.5	1.8	0.6	13.6
Additions of property, plant and equipment	2.2	2.5	0.3	0.2	5.2

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:

	2015 Total £m	2014 Total £m
Revenue	**236.0**	226.1
Materials and overheads	**(118.7)**	(115.0)
Factory costs	**(17.9)**	(16.7)
Outward freight costs	**(7.0)**	(7.1)
Directors' and employees' costs	**(59.6)**	(57.3)
Depreciation of tangible fixed assets		
owned assets	**(5.1)**	(5.1)
leased assets	**(0.1)**	(0.1)
Operating lease rentals		
land and buildings	**(1.8)**	(2.0)
plant, machinery and other	**(0.9)**	(1.0)
Repairs and maintenance costs	**(2.6)**	(2.4)
Research and development costs	**(2.8)**	(2.5)
Amortisation of government grants received	**–**	0.2
Movement in fair value of financial instruments	**0.1**	0.2
Foreign exchange losses	**(0.1)**	(0.2)
Amortisation of intangible assets	**(1.4)**	(1.5)
Profit on disposal of property, plant and equipment and other assets	**–**	1.3
Decrease in inventory provision	**0.2**	0.6
Impairment loss recognised in trade receivables	**(0.6)**	(0.1)
Pension administration costs	**(0.7)**	(0.8)

The analysis of auditor's remuneration is as follows:

	2015 Total £'000	2014 Total £'000
Audit fees – Parent Company	**76**	80
Audit fees – subsidiary undertakings	**267**	205
Taxation compliance services	**35**	58
Taxation advisory services	**43**	101
Other assurance services	**1**	8
Corporate finance services	**114**	226
Other non-audit services	**10**	4
	546	682

Total audit fees were £343,000 (2014: £285,000). Total non-audit fees were £203,000 (2014: £397,000).

5. Exceptional items

	2015 £m	2014 £m
Operating income:		
Building sale and demolition	**–**	0.8
Webtec deferred consideration adjustment	**–**	2.2
UK pension settlement gain	**–**	0.2
Operating expenses:		
Acquisition costs	**(0.5)**	–
Contract start-up costs	**–**	(0.5)
Exceptional bonus payments	**–**	(0.8)
Reorganisation costs	**–**	(1.4)
Abortive acquisition costs	**–**	(0.3)
	(0.5)	0.2

During the year the Group incurred £0.5m of costs associated with the acquisition of First Water Limited. In the prior year the Group incurred a number of exceptional gains and costs that are separated for transparency and to provide a better understanding of the underlying performance of the Group. The net result of the gains and costs in the prior year was an exceptional income of £0.2m. Further analysis on the prior year exceptional income and costs is provided below:

Prior year exceptional operating income

An exceptional gain of £2.2m was released as part of the accounting for the acquisition of Webtec. The final earn out based on trading to December 2013 resulted in a release of contingent consideration and brings the total cost of acquisition to US$40.4m versus total potential of US$43.8m. The Group disposed of the Branly site in Valence, France and demolished buildings at a second vacant site in France. The net profit less costs of demolition was £0.8m. The Group merged its UK pension schemes into a single new scheme resulting in a settlement gain of £0.2m.

Prior year exceptional operating costs

The Group incurred exceptional costs of £1.4m relating to a Group-wide reorganisation. Exceptional bonus costs of £0.8m were incurred relating to the one-off share price related incentive that has payout triggers when the share price reaches £1.00 and £1.50.

Contract start-up costs of £0.5m related to the non-recurring cost of setting up 24/7 manufacturing at a key site by adding additional shifts. The Group spent £0.3m on costs associated with a potential acquisition. The purchase was aborted and the costs have been separated out.

6. Employee benefit expense

	2015 £m	2014 £m
Wages, salaries and other benefits	**49.0**	47.4
Social security costs	**7.0**	6.8
Share options granted to Directors and employees	**1.5**	0.8
Pension costs – defined contribution plans	**2.0**	1.8
Pension costs – defined benefit plans	**0.1**	0.5
	59.6	57.3
Pension curtailments and service costs (note 5)	**–**	(0.2)
	59.6	57.1

Average employee numbers	2015	2014
Europe	**629**	620
North America	**516**	499
Asia	**107**	104
	1,252	1,223

7. Net finance costs

	2015 £m	2014 £m
Interest payable on bank loans and overdrafts	**(0.7)**	(0.5)
Other finance charges	**–**	(0.1)
Expected return on pension scheme assets less interest on scheme liabilities	**(1.6)**	(1.6)
Net finance costs	**(2.3)**	(2.2)

8. Taxation

Income tax charge:

	2015 £m	2014 £m
Current tax:		
Tax on ordinary activities – current year	**(3.4)**	(4.0)
Tax on ordinary activities – prior year	**0.2**	0.3
Tax on exceptional items	**0.1**	0.1
	(3.1)	(3.6)
Deferred tax:		
Tax on ordinary activities – current year	**(0.8)**	(0.7)
Tax on ordinary activities – prior year	**(0.5)**	–
Effect of reduction in UK corporation tax rate in 2014 to 20%	**–**	(1.8)
Tax on exceptional items	**0.2**	(0.5)
Exceptional deferred tax write off	**–**	(11.3)
	(1.1)	(14.3)
Tax charge for the year	**(4.2)**	(17.9)

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

	2015 **£m**	2014 £m
Profit on ordinary activities before tax	**13.7**	11.2
Theoretical tax charge at 21% (2014: 23%)	**(2.9)**	(2.6)
Effect of reduction in UK corporation tax rate in 2014 to 20%	**–**	(1.8)
Movements to/(from) unprovided deferred tax	**0.7**	(11.7)
Income not taxable and other deductions	**0.3**	0.3
Items not deductible for tax purposes and other taxable items	**(0.3)**	(0.8)
Effect of overseas tax rates being higher than UK tax rate	**(1.7)**	(1.6)
Adjustments in respect of prior years	**(0.3)**	0.3
Actual tax charge for the year	**(4.2)**	(17.9)

Tax on exceptional items and pension administration costs:

2015	**Loss before tax £m**	**Tax £m**	**Loss after tax £m**
Acquisition costs	(0.5)	0.1	(0.4)
Exceptional items	**(0.5)**	**0.1**	**(0.4)**
Pension administration costs	**(0.7)**	**0.2**	**(0.5)**
Exceptional items including pension administration costs	**(1.2)**	**0.3**	**(0.9)**

2014	Profit/(loss) before tax £m	Tax £m	Profit/(loss) after tax £m
Building sale and demolition	0.8	(0.2)	0.6
Webtec deferred consideration adjustment	2.2	(0.8)	1.4
UK pension settlement gain	0.2	–	0.2
Contract start-up costs	(0.5)	0.2	(0.3)
Exceptional bonus payments	(0.8)	–	(0.8)
Reorganisation costs	(1.4)	0.2	(1.2)
Abortive acquisition costs	(0.3)	–	(0.3)
Exceptional items	**0.2**	**(0.6)**	**(0.4)**
Pension administration costs	**(0.8)**	**0.2**	**(0.6)**
Exceptional items including pension administration costs	**(0.6)**	**(0.4)**	**(1.0)**

Deferred income tax

During the prior year, the basis of recognising the deferred tax asset in the UK was reviewed. Due to the changes in the structure of inter-company loans and the Group's focus to diversify its markets, it was deemed appropriate to write down the carrying value of the UK deferred tax asset to £1.5m. This resulted in a charge to the Income Statement in the prior year of £10.5m. In line with IAS 12, the Group believes it probable that sufficient taxable profits will be available against which the revised UK deferred tax asset can be utilised.

For the purposes of consistency, the deferred tax recognition criteria throughout the Group have also been reviewed. This resulted in an additional deferred tax write off of £0.8m, bringing the total of deferred tax written off in the prior year to £11.3m.

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

	2015 £m	2014 £m
Deferred tax assets:		
Losses	**3.5**	4.4
Provisions and other short-term timing differences	**4.3**	2.6
Retirement benefit liabilities	**4.4**	2.9
	12.2	9.9
Deferred tax liabilities:		
Accelerated tax depreciation	**(3.3)**	(2.8)
Other short-term timing differences	**(1.1)**	(0.3)
Tax effect of intangibles	**(0.8)**	(0.2)
Provision for potential tax liability	**(4.4)**	(3.7)
	(9.6)	(7.0)

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:

	2015 £m	2014 £m
Deferred tax assets as above	**12.2**	9.9
Accelerated tax depreciation liabilities/assets in different countries	**(3.1)**	(1.9)
Deferred tax asset on the Balance Sheet	**9.1**	8.0
Deferred tax liabilities as above	**(9.6)**	(7.0)
Accelerated tax depreciation liabilities in different countries	**3.1**	1.9
Deferred tax liability on the Balance Sheet	**(6.5)**	(5.1)

Tax assets amounting to £14.3m (2014: £15.3m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction.

Deferred tax is only recognised in respect of entities that made a trading profit in the current and preceding year.

Movement in deferred tax	2015 £m	2014 £m
Beginning of the year	**2.9**	19.2
Income Statement charge	**(1.1)**	(12.5)
Effect of reduction in UK corporation tax rate to 20%	**–**	(1.8)
Acquisitions	**(0.8)**	–
Deferred tax on actuarial loss	**1.6**	0.1
Deferred tax through other comprehensive income	**0.1**	(0.4)
Exceptional deferred tax through other comprehensive income	**–**	(1.5)
Other comprehensive income effect of reduction in UK corporation tax rate to 20%	**–**	(0.2)
End of year	**2.7**	2.9

Movement in unrecognised deferred tax	2015 £m	2014 £m
Beginning of the year	**15.3**	4.0
Current year movement in income statement	**(0.7)**	11.7
Current year movement in other comprehensive income	**(0.2)**	1.9
Disposal of asset previously classified as held for resale	**–**	(2.2)
Foreign exchange	**(0.1)**	(0.1)
End of year	**14.3**	15.3

9. Earnings/(loss) per share

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

Diluted
Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 153,093,244 (2014: 151,411,376). Diluted earnings/(loss) per share has been calculated including share options in existence at 31 March 2015.

Underlying
Underlying 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.

	2015	2014
Profit/(loss) attributable to equity holders of the Company (£m)	**9.5**	(6.7)
Weighted average number of ordinary shares in issue (m)	**146.8**	146.4
Basic earnings/(loss) per share (p)	**6.5**	(4.6)
Weighted average number of shares in issue, including potentially dilutive shares (m)	**153.1**	151.4
Diluted earnings/(loss) per share (p)	**6.2**	(4.4)
Underlying earnings per share (p)	**9.1**	7.2

10. Dividend per share
A final dividend of 1.5p per share is proposed for the year ended 31 March 2015 (2014: 1.0p).

11. Acquisition of subsidiary
On 27 February 2015 the Group acquired 100% of the issued share capital of First Water Limited, obtaining control. First Water Limited is a healthcare business specialising in innovation, design and manufacture of a wide range of hydrogels for the healthcare market. First Water Limited was acquired to:

- strengthen the Group's turn-key value proposition
- broaden the Healthcare technology portfolio with proprietary and patented products
- enhance innovation and development capabilities
- add new global customers and potential markets
- increase the opportunity to leverage global sales channels providing significant cross-selling opportunities and product development potential
- improve the global manufacturing infrastructure

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	**3.2**
Land and buildings	**2.2**
Property, plant and machinery	**0.6**
Inventory	**0.5**
Trade and other debtors	**1.7**
Debt, cash and equivalents	**(2.2)**
Trade and other payables	**(3.7)**
	2.3
Goodwill	**6.7**
Total consideration	**9.0**
Satisfied by cash	**8.8**
Satisfied by deferred consideration	**0.2**

Immediately on acquisition, the Group settled debt to the former owners of First Water Limited with a value of £2.2m. This debt settlement brings the total cost of the acquisition to £11.2m, with £0.2m being deferred consideration.

In addition to the above, the former owners of the business have the opportunity to earn an additional £4.0m in post combination remuneration based on the performance of First Water Limited. The former owners remain in employment of the Group and are critical in the management of the company. The potential undiscounted future payments that the Group could be required to pay based on the performance of the business are £2.0m in 2016, and £1.0m in each of the years 2017 and 2018.

The goodwill of £6.7m arising from the acquisition is not expected to be deductible for income tax purposes. Acquisition related costs (included within exceptionals) amount to £0.5m. First Water Limited contributed £0.6m of revenue and £0.1m to Group profit between the date of acquisition and the Balance Sheet date. If the acquisition of First Water Limited had been completed on the first day of the financial year, Group revenues for the period would have been £241.9m and Group trading profit would have been £19.3m.

12. Goodwill

	2015 **£m**	2014 £m
Cost		
1 April	**44.0**	49.6
Additions	**6.7**	–
Exchange differences	**5.6**	(5.6)
31 March	**56.3**	44.0
Accumulated amortisation and impairment		
1 April	**(19.9)**	(23.2)
Exchange differences	**(2.5)**	3.3
31 March	**(22.4)**	(19.9)
Net book value at 31 March	**33.9**	24.1

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2015. 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% up to year 5, which management believes does not exceed the long-term average growth rate for the industry, and then kept constant for years 6 to 20. These cash flows are discounted at a pre-tax discount rate of 10% and adjusted for specific risk factors that take into account the sensitivities of the projection. Terminal values are not used in the calculations. The Group has conducted a sensitivity analysis on the impairment test. If the assumed growth rate in years 2–5 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% would result in positive headroom on the carrying value of goodwill for each cash-generating unit.

The pre-tax discount rate used by the Group has increased from 9.7% in the prior year to 10.0% for the year ending 31 March 2015. This increase follows a change in risk rates used in calculating the discount rate. The introduction of net debt in the Group had a small impact. As a result, the overall pre-tax discount rate has increased to 10.0%.

Goodwill relates to the Acutek Medical operation £13.0m (2014: £11.5m), Webtec £14.1m (2014: £12.6m) and the recently acquired First Water Limited £6.7m (2014: £Nil).

13. Other intangible assets

	Patents and development costs £m	Contracts in progress £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost						
1 April 2013	–	1.2	3.4	2.3	0.4	7.3
Exchange differences	–	(0.1)	(0.3)	(0.2)	–	(0.6)
31 March 2014 and 1 April 2014	–	1.1	3.1	2.1	0.4	6.7
Exchange differences	–	0.1	0.4	0.3	0.1	0.9
Additions – Acquired	1.2	–	1.6	–	0.4	3.2
31 March 2015	**1.2**	**1.2**	**5.1**	**2.4**	**0.9**	**10.8**
Amortisation						
1 April 2013	–	(0.5)	(0.9)	(0.5)	(0.1)	(2.0)
Exchange differences	–	–	0.1	0.1	–	0.2
Charge for the year	–	(0.4)	(0.7)	(0.3)	(0.1)	(1.5)
31 March 2014 and 1 April 2014	–	(0.9)	(1.5)	(0.7)	(0.2)	(3.3)
Exchange differences	–	(0.1)	(0.3)	(0.1)	–	(0.5)
Charge for the year	–	(0.2)	(0.7)	(0.4)	(0.1)	(1.4)
31 March 2015	**–**	**(1.2)**	**(2.5)**	**(1.2)**	**(0.3)**	**(5.2)**
Carrying amount						
31 March 2015	**1.4**	**–**	**2.6**	**1.2**	**0.6**	**5.8**
31 March 2014	–	0.2	1.6	1.4	0.2	3.4
Remaining useful economic life	2-4 years	–	1.5-3 years	2.75 years	2.75-4 years	

The acquisition of First Water Limited in February 2015 brought significant benefit to the Group in terms of development, customer relationships and technology 'know-how'. These benefits were valued under IFRS 3 using estimates of useful lives and discounted cash flows of expected income. The values are being amortised over useful economic lives of between three and four years. The brought forward intangible assets relate to the acquisition of 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 2013	16.6	8.4	93.0	5.4	18.6	1.2	143.2
Exchange differences	(1.3)	(0.1)	(4.8)	(0.2)	(0.5)	–	(6.9)
Additions	0.2	0.3	3.4	0.1	0.2	1.0	5.2
Disposals	–	–	(0.9)	–	(0.1)	–	(1.0)
Transfers	–	–	0.9	–	–	(0.9)	–
31 March 2014 and 1 April	15.5	8.6	91.6	5.3	18.2	1.3	140.5
Exchange differences	0.3	0.1	0.2	0.1	0.2	(0.3)	0.6
Additions	0.6	0.1	2.3	0.1	0.1	4.5	7.7
Acquisition of subsidiary	2.2	–	0.6	–	–	–	2.8
Transfer to assets held for re-sale (note 15)	(0.3)	–	–	–	–	–	(0.3)
Disposals	–	(0.9)	(3.1)	(0.4)	(0.5)	–	(4.9)
Transfers	0.1	–	0.7	–	–	(0.8)	–
31 March 2015	**18.4**	**7.9**	**92.3**	**5.1**	**18.0**	**4.7**	**146.4**
Accumulated depreciation							
1 April 2013	(9.2)	(4.7)	(70.0)	(4.7)	(16.2)	–	(104.8)
Exchange differences	0.5	–	3.1	0.2	0.4	–	4.2
Depreciation	(0.5)	(0.2)	(3.3)	(0.2)	(1.0)	–	(5.2)
Disposals	–	–	0.9	–	0.1	–	1.0
31 March 2014 and 1 April	(9.2)	(4.9)	(69.3)	(4.7)	(16.7)	–	(104.8)
Exchange differences	(0.1)	(0.1)	0.2	0.1	(0.1)	–	–
Depreciation	(0.5)	(0.2)	(3.4)	(0.2)	(0.8)	–	(5.1)
Impairment reversal	–	–	0.3	–	–	–	0.3
Transfer to assets held for re-sale (note 15)	0.3	–	–	–	–	–	0.3
Disposals	–	0.9	3.1	0.4	0.5	–	4.9
31 March 2015	**(9.5)**	**(4.3)**	**(69.1)**	**(4.4)**	**(17.1)**	**–**	**(104.4)**
Carrying amount							
31 March 2015	**8.9**	**3.6**	**23.2**	**0.7**	**0.9**	**4.7**	**42.0**
31 March 2014	6.3	3.7	22.3	0.6	1.5	1.3	35.7

The Group has not revalued any item of property, plant and equipment. Impairment of property plant and equipment of £0.3m was reversed in the year following a review of the projected future cash flows relating to an Asian site.

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

	2015 £m	2014 £m
Cost	**0.6**	1.1
Accumulated depreciation	**(0.1)**	(0.3)
Net book amount	**0.5**	0.8

During the year ending March 2015 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	**2015 £m**	2014 £m
Bellegarde site cost	**0.3**	–
Bellegarde site depreciation	**(0.3)**	–
Carrying value at 31 March	**–**	–

A dormant site in Bellegarde France is currently under offer from a potential buyer. Subject to certain conditions to be met over the forthcoming year the Group expect to dispose of the site during the second half of 2015/16.

16. Inventory

	2015 £m	2014 £m
Raw materials	**9.4**	8.8
Work in progress	**6.3**	5.9
Finished goods	**9.1**	9.4
	24.8	24.1

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £118.4m (2014: £115.0m).
There is no material difference between the Balance Sheet value and the fair value less costs to sell.

17. Trade and other receivables

	2015 £m	2014 £m
Amounts due within one year:		
Trade receivables	**44.1**	40.2
Less: provisions for impairment	**(1.3)**	(0.8)
Trade receivables – net	**42.8**	39.4
Other debtors	**1.2**	1.3
Prepayments and accrued income	**2.0**	1.6
Total amounts due within one year	**46.0**	42.3

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

	2015 £m	2014 £m
Pounds Sterling	**4.6**	4.7
US Dollars	**20.0**	16.1
Euros	**14.9**	17.0
Other	**6.5**	4.5
	46.0	42.3

All amounts due after more than one year are denominated in US Dollars. Management review individual receivables and provide for overdue amounts specifically.

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

	2015 £m	2014 £m
Less than 1 month	**0.3**	2.2
Between 1 and 3 months	**–**	0.6
	0.3	2.8

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. As such all of the above amounts are considered recoverable.

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

	2015 £m	2014 £m
Opening provision at 1 April 2014	**0.8**	0.8
Charge for the year	**0.6**	0.1
Receivables written off in the year	**(0.1)**	(0.1)
Closing provision at 31 March 2105	**1.3**	0.8

Included in the impairment provision are individually impaired trade receivables with a gross balance of £1.3m (2014: £1.1m). 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:

	2015 £m	2014 £m
Greater than 3 months	**1.3**	0.8
	1.3	0.8

18. Cash and cash equivalents

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

	2015 £m	2014 £m
Cash and cash equivalents	**16.7**	13.6

19. Trade and other payables

	2015 £m	2014 £m
Amounts due within one year:		
Trade payables and trade accruals	**29.5**	30.6
Other taxes and social security	**4.1**	4.3
Other creditors	**11.2**	8.2
	44.8	43.1
Amounts due after more than one year:		
Other creditors	**0.2**	0.2
	0.2	0.2

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

	2015 £m	2014 £m
Amounts due within one year:		
Pounds Sterling	**12.7**	10.5
US Dollars	**11.2**	12.0
Euros	**15.6**	16.3
Other	**5.3**	4.3
	44.8	43.1

	2015 £m	2014 £m
Amounts due after more than one year:		
Pounds Sterling	**–**	0.1
US Dollars	**0.1**	0.1
Euros	**0.1**	–
	0.2	0.2

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 79 days (2014: 85 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

	2015 £m	2014 £m
Amounts due within one year:		
Finance leases	**0.1**	0.1
Other loans	**1.2**	–
	1.3	0.1
Amounts due after more than one year:		
Bank loan	**18.6**	8.0
Finance leases	**0.2**	0.1
	18.8	8.1
Total borrowings	**20.1**	8.2

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

- the committed value of the facility is £40m
- there is access to an uncommitted accordion of an additional £20m
- it is unsecured
- it is repayable in June 2018
- 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%
- 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 3, reducing to 2.5 over time

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

	US and Canadian Dollars
31 March 2015 – Bank loans and overdrafts	2.1%
31 March 2014 – Bank loans and overdrafts	3.6%

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

	2015 £m	2014 £m
Pounds Sterling	**13.3**	0.1
US Dollars	**6.8**	8.1
	20.1	8.2

The total borrowings figure is presented net of unamortised debt issue costs of £0.3m (2014: £0.5m).

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 2015 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2014: asset £0.1m).

The Group has the following undrawn borrowing facilities (this includes committed and uncommitted):

	2015 £m	2014 £m
Bank loan	**21.0**	31.5
Overdrafts	**1.0**	1.6

21. Provisions

	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 1 April 2014	2.8	0.7	3.5
Exchange differences	–	(0.1)	(0.1)
Additions in the year	0.2	0.4	0.6
Release in year	(0.3)	–	(0.3)
Utilised in the year	(1.0)	(0.3)	(1.3)
At 31 March 2015	**1.7**	**0.7**	**2.4**
Analysis of provisions:			
Current	0.4	0.6	1.0
Non-current	1.3	0.1	1.4
At 31 March 2015	**1.7**	**0.7**	**2.4**

	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 1 April 2013	2.6	0.3	2.9
Exchange differences	(0.1)	–	(0.1)
Additions in the year	0.7	0.6	1.3
Release in year	–	(0.1)	(0.1)
Utilised in the year	(0.4)	(0.1)	(0.5)
At 31 March 2014	2.8	0.7	3.5
Analysis of provisions:			
Current	0.8	0.6	1.4
Non-current	2.0	0.1	2.1
At 31 March 2014	2.8	0.7	3.5

– Reorganisation and leasehold commitments

The £1.7m (2014: £2.8m) reorganisation provision relates to dilapidations for leasehold property of £1.5m (2014: £1.5m) and £0.2m (2014: £0.6m) in relation to reorganisation costs. The prior year figure included a land value guarantee of £0.7m relating to a disposal in 2007, this was settled during the year.

Whilst the timing of the economic benefits relating to the non-current provisions cannot be ascertained with any degree of certainty, the leasehold commitments are expected to take place within the next two to three years.

– Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in both Europe of £0.6m (2014: £0.6m) and North America of £0.1m (2014: £0.1m). 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 2015 £m**	Year ended 31 March 2014 £m
Operating profit	**16.0**	13.4
Adjustments for:		
Depreciation and amortisation	**6.6**	6.7
Profit on disposal of fixed assets	**–**	(1.3)
Impairment reversal, tangible fixed assets	**(0.3)**	–
Pensions payments in excess of charge	**(4.2)**	(4.6)
Pension curtailments and past service charges	**–**	(0.2)
Movement in fair value of financial instruments	**0.1**	(0.2)
Share options charge	**1.5**	0.8
Grant income released	**–**	(0.2)
Changes in working capital:		
Inventories	**0.2**	(2.2)
Trade debtors	**(1.8)**	(3.9)
Trade creditors	**(1.1)**	4.2
Changes in trading working capital	**(2.7)**	(1.9)
Other debtors	**(0.3)**	–
Other creditors	**2.0**	(0.7)
Deferred consideration	**–**	(2.2)
Net movement in environmental provisions	**–**	0.4
Net movement in reorganisation provisions and leasehold commitments	**(0.2)**	0.3
Net movement in other provisions	**(0.9)**	–
Cash generated from operations	**17.6**	10.3

Cash generated from operations before exceptional items	**18.3**	10.1
Cash (outflows)/inflows from exceptional items	**(0.7)**	0.2
Cash generated from operations	**17.6**	10.3

Analysis of cash and cash equivalents and borrowings

	At 1 April 2014 £m	Cash flow £m	Acquisition £m	Other movements £m	Exchange movement £m	**At 31 March 2015 £m**
Cash and cash equivalents	13.6	2.8	–	–	0.3	**16.7**
	13.6	2.8	–	–	0.3	**16.7**
Borrowings within one year	(0.1)	1.2	(2.2)	–	(0.2)	**(1.3)**
Borrowings after more than one year	(8.1)	(8.4)	(1.4)	(0.1)	(0.8)	**(18.8)**
	(8.2)	(7.2)	(3.6)	(0.1)	(1.0)	**(20.1)**
Total	5.4	(4.4)	(3.6)	(0.1)	(0.7)	**(3.4)**