24 May 2016

Scapa Group plc
Preliminary Results

"Driving profitable growth through strategic and operational execution"

Scapa Group plc (AIM: SCPA), a leading global manufacturer of bonding products and adhesive components for applications in the healthcare and industrial markets, today announces its Preliminary Results for the year ended 31 March 2016.

Financial Highlights

- Revenue grew 4.5% to £246.7m (2015: £236.0m); 4.1% at constant exchange rates
- Trading profit* increased 14.5% to £21.3m (2015: £18.6m); 14.5% at constant exchange rates
- Trading profit* margins further improved to 8.6% (2015: 7.9%)
- Adjusted earnings per share** increased 16.5% to 10.6p (2015: 9.1p)
- Basic earnings per share of 4.1p (2015: 6.5p)
- Final dividend increased to 1.75p (2015: 1.50p)
- Net debt of £2.6m (2015: £3.4m) after site closure costs and First Water earn-out

Operational Highlights

- Healthcare revenue increased 26.4% to £93.3m (2015: £73.8m); 19.2% at constant exchange rates
- Organic growth of 17.9% excluding First Water
- Healthcare trading profits increased 26.1%; 17.6% growth at constant exchange rates - maintaining margins at 15.0% as it continues to invest for growth
- US$35m Healthcare acquisition of EuroMed Inc on 23 May 2016; US$2.5m EBITDA on revenue of US$18.0m for the financial year ended 31 December 2015
- Signed a six-year contract extension with Convatec, a world leading wound therapeutics company
- New Partner Enabled Development (PED) product launched with Johnson & Johnson
- Successfully integrated First Water, strengthening innovation and development capabilities
- Industrial profits grew 7.0%; 16.3% at constant exchange rates, and margins increased to 7.0% (2015: 6.2%) further improving the quality of the business
- Consolidation of the French sites completed on time and on budget
- Closure of the Swiss facility on plan and expected to complete in H2 of 2016/17
- Invested new equipment in Canada and South Korea to support growth in their Construction and Automotive markets

Commenting on the results Chief Executive, Heejae Chae said:
"I am pleased with the progress we have made this year delivering continued growth, further margin improvement and a strengthened Balance Sheet. Healthcare continues to go from strength to strength further enhanced by the acquisition of EuroMed. Industrial further improved the quality of the business with growth in margins. The continuing operational programme provides significant scope to achieve double-digit margins within Industrial despite the challenging macro environment.

We continue to maintain a disciplined approach in executing our strategy and I am excited about the opportunities that exist for the business. Whilst early in the new financial year, the Group is well positioned 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

DEAR SHAREHOLDER

I am pleased to report that 2015/16 has been another successful year for the Group with the management team remaining focused on delivering the strategy which has resulted in further revenue growth, a strong underlying profit performance, good cash generation and significant improvement in adjusted earnings per share.

STRUCTURED FOR FURTHER GROWTH

Last year we announced an organisational change separating the Group into two distinct businesses, each with a clear strategy. Healthcare is at the forefront of the outsourcing trend that is reshaping the healthcare industry. Our strategy is to become the turn-key partner of choice with leading global companies who are our customers, by becoming a one-stop source for skin friendly solutions and more. The Industrial strategy is to drive the return on capital employed through asset optimisation and achieve double-digit profit margins.

Healthcare continues to perform strongly as we take a greater share of the expanding available markets and deepen our strategic relationships with our customers. We have continued to make significant investments in our Healthcare business through acquisitions and organically with further quality, innovation and commercial capabilities which are reflected in the growth of our functions and expertise. This has also been demonstrated with the acquisition and successful integration of First Water. I am positively encouraged by the Healthcare performance and the pillars of our Healthcare strategy; being the strategic outsource partner of choice and supporting our global Healthcare customers with innovation, design and operational development, resulting in rapid speed to market. This remains central to the growth and success of our Healthcare business and importantly will be further enabled by the continuing investment we look to undertake.

Industrial delivered double-digit growth in trading profits in constant currency and further improved its margins in challenging market conditions. The Industrial strategy of focusing on capital allocation to drive return on capital employed is proving successful and continues the self-help progress made in prior years.

Over the past year the Group has made significant steps towards optimising its asset base. This year we successfully concluded the consolidation of our two French facilities on budget and on time and we remain on track to complete the consolidation of our Swiss facility in the second half of the coming financial year. These actions continue to streamline our footprint, clarify our operational and manufacturing strategy and, with further opportunities ahead, take us closer to our goal of double-digit margins within our Industrial business.

PERFORMANCE AND DIVIDEND

This year's results reflect the steps being taken to deliver the strategy and create sustainable long-term shareholder value. I am delighted to report Group revenue increased 4.5% to £246.7m (2015: £236.0m) and trading profit increased 14.5% to £21.3m (2015: £18.6m). On a constant currency basis, revenue and trading profit grew 4.1% and 14.5% respectively, another significant improvement on the prior year. Adjusted earnings per share increased 16.5% to 10.6p (2015: 9.1p) and basic earnings per share was 4.1p (2015: 6.5p). This year has seen a further strengthening of the Balance Sheet including continued progress on reducing the legacy pension scheme deficit. The UK deficit is further reduced to £20.1m and, including some small overseas schemes, the total deficit at £27.5m is now approximately equal to the EBITDA of the business.

Strong cash flow and a management focus on working capital ensured that the Group ended the year with net debt of £2.6m (2015: £3.4m).

Given the continuing progress and improved performance the Board is proposing to increase the final and full year dividend by 16.7% to 1.75p (2015: 1.50p). Subject to approval of shareholders at the forthcoming Annual General Meeting the dividend will be paid on 19 August 2016 to shareholders on the register on 22 July 2016. The ex-dividend date is 21 July 2016.

GOVERNANCE

To achieve the Group's goal of creating long-term shareholder value, the Board recognises that a strong governance framework, internal controls, values and culture firmly embedded across the organisation are vitally important, and as such the Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Group.

The Board has recently gone through some changes. Paul Edwards, the Group Finance Director, and Mike Buzzacott, a Non-Executive Director and the Chairman of the Audit and Risk Committee, retired from the Board. On behalf of the Board I would like to thank Paul and Mike for their contribution to the success of the Company during their tenures. Graham Hardcastle joined the Board on 1 February 2016, prior to his appointment as Group Finance Director on 1 May 2016. Graham brings to the role very strong business skills and experience in healthcare and global markets, which will be of great benefit to the Group as it pursues its strategy for growth. Also, David Blackwood joined the Board as Non-Executive Director on 1 May 2016 and will chair the Audit and Risk Committee from 1 June 2016.

OUR PEOPLE

The success of the Group in its ability to grow and create value is totally dependent on the talents and efforts of our employees working together towards a common purpose. Coming together from diverse backgrounds and cultures, we have forged a culture defined by our ten guiding principles. The Scapa Way underscores the enthusiasm, commitment and dedication shown by our colleagues. On behalf of the Board I would like to thank them all.

OUTLOOK

It has been a year of further progress and we have taken the necessary steps – strategically, operationally and financially – to ensure Scapa remains well positioned to exploit the opportunities that exist for the business. I anticipate we will continue to make progress and deliver further value to our shareholders.

J A S WALLACE
CHAIRMAN
24 MAY 2016

CHIEF EXECUTIVE'S STRATEGIC REVIEW

OVERVIEW

The pivot to a consistent and sustainable business platform from a cyclical European tape manufacturer has gone well. We now have two resilient and robust businesses with an attractive outlook. Each business has its own clear, focused and distinct strategy that reflects and aligns to the dynamics of the markets in which it competes.

Healthcare is at the forefront of an outsourcing trend that is reshaping the healthcare industry. Our strategy is to become 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 solidify our market leading position in a growing and expanding market.

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. Our strategy is to continue to deliver double-digit profit growth by focusing on the optimisation of our assets through relentless operational execution.

The clarity of each strategy and focused execution has enabled the Group to build on a good interim performance and deliver another record performance this financial year. Good growth in revenue delivered a record trading profit performance, improved our margins and further strengthened our Balance Sheet.

OUR PERFORMANCE IN 2015/16

The Group has continued to make excellent progress this year not only delivering record results but also making good progress against our strategic vision and delivering against the goals we set ourselves at the beginning of each year.

Group revenue increased 4.5% to £246.7m or 4.1% on a constant currency basis. Healthcare revenue increased 26.4% to £93.3m or 19.2% at constant currency. Whilst First Water contributed well in its first full financial year, organic growth was strong at 17.9%. Healthcare trading profits increased 26.1% to £14.0m, or 17.6% at constant currency, maintaining margins at 15.0% as the business continues to invest in its quality systems and customer account management to drive future growth. Healthcare now makes up 65.7% of Group trading profit. Industrial revenue decreased to £153.4m, or 3.3% at constant currency, reflecting broadly the markets and geographies which we serve. Nevertheless, our strategy to optimise our Return on Capital Employed (ROCE) and focused cost control has delivered double-digit profit growth and increased our margin to 7.0%, to £10.7m, further improving the quality of the business.

Group trading profit increased to £21.3m, a growth of 14.5% at constant exchange rates, and margins increased to 8.6%. Cash generation was ahead of expectations and we ended the year practically net debt free. This was after making strategic capital investments and incurring a number of one-off exceptional costs, including the full pay-out of the First Water first year earn-out.

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 build on our successes and invest in developing our proposition as the full turn-key solution partner of choice for our global healthcare customers.** We successfully integrated First Water Limited, the Healthcare acquisition made in February 2015, which strengthened our innovation and development capabilities. We leveraged the newly acquired hydrogel technology to develop new products with our existing customers. First Water successfully launched new products with global consumer companies leveraging the Scapa global platform. We are driving innovations through the continued development of our MEDIFIX Solutions™ for the wearable market. We launched Soft-Pro® Silicone Gel with perforations for the wound care market and filed a patent for our Flexpore products. We invested in our Quality Management System to deliver world class medical device quality standards. We are now ISO 13485 compliant across all our healthcare sites. We successfully passed all ISO 9001 and ISO 13485 regulatory and customer audits during the year. A measure of our success in turn-key solutions is the increase of Scapa's own materials in the content of the finished products. Another measure is the deepening relationships with key global customers. Our relationship with J&J continues to strengthen as we have launched another Partner Enabled Development (PED) product during the year. We also signed a six-year extension with Convatec cementing our strategic relationship with a world leading wound therapeutics company.

- **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.** Our strategy of optimising our asset base is proving successful and is reflected in the improved margin despite a decline in revenue. We have taken many actions to improve the productivity of our assets throughout the year. We consolidated the two separate facilities in France which was completed on time and on budget. Beyond the efficiency and productivity gains which the consolidation generated, it also provides a platform to further optimise our operational infrastructure. We

expanded the capacity and scope of capabilities which enable us to consolidate a substantial portion of the production from our Swiss facility. During the year, we announced and commenced the closure of our Rorschach facility in Switzerland. The project should yield meaningful operational leverage and improved profitability and is on track to complete and deliver benefits in the second half of the coming financial year. Whilst we are well invested with capacity available for growth, we continue to invest in new equipment and capabilities that will further improve our ROCE through efficiency improvements as well as enhance our market competitiveness. During the year, we invested in an additional UV coating line in Korea to support our Automotive and Electronics markets. And we upgraded our calendaring capacity in Canada to meet the growing requirement in our North American construction business.

- **Simplify and enhance our operating model: Simplifying our operating model will allow for better allocation of resources and permit the Group to invest in growth opportunities that provide the best financial returns.** At the start of the year we moved away from a matrix structure and split the Group into two distinct businesses: Healthcare and Industrial, recognising their different strategic and investment requirements. The allocation of resources and assets also provided clear definition of roles and expectations which can be measured against appropriate key performance indicators (KPIs). The new model also enabled us to prioritise and streamline resources. We took actions during the year to reallocate resources from corporate functions to Healthcare to support its growth. We believe the portfolio based structure will enable us to grow our business as we look for areas to expand beyond the current markets and products.

- **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 to improve our access to our customers' supply chain through adding new capabilities, product offerings, technologies, customers, geographies or channels.** Acquisition is an integral part of our growth strategy. We have well defined criteria of acquisitions which we seek. In Healthcare, we are looking to expand our capabilities across the value chain to deepen our relationship with our customers. We believe that to further solidify our market leading position in the current market we must grow through acquisitions as well as organically. In Industrial, there are opportunities to further accelerate our asset optimisation through acquisitions in a very fragmented competitive landscape which will either add incremental volume or more efficient capabilities. We have a robust pipeline of opportunities and we are in discussion with multiple targets at any point in time. I believe our success is measured not only in the transactions which we have completed and integrated successfully but also in the discipline we exercised in transactions that we did not complete.

- **Continue to improve our margins by maintaining the process of self-help and good cost control.** We believe that our self-help journey still has much more to deliver. Whilst the site rationalisations are significant contributors, there are many opportunities to further improve our efficiency and cost. We have always maintained relentless focus on operational excellence and cost control and this will continue. We have invested in a central operational excellence team to identify and support in the execution of the cost out projects. We continue to see benefits in supply chain management, consolidation of equipment, logistic costs and lean manufacturing. This year has seen the Group continue to focus on improving the quality of our business and delivering against our strategy. As a consequence, the margin this year has increased for the sixth consecutive year to 8.6%.

- **Drive cultural evolution: Continue to invest in our people and further embed the cultural programme underpinned by a framework of entrepreneurship and clear guiding principles.** Scapa is a diverse company operating across 20 locations and eight core languages. To achieve our objectives, we must operate under common principles and expectations. We believe that aspiration, fulfillment and entrepreneurialism are universal. We have defined the Scapa Way, framed by our Ten Guiding Principles that promote principled entrepreneurship to create value for all our stakeholders in a manner where we are proud of our achievements. We continue to make progress with constant engagement, training and promoting the Scapa Way as it evolves to reflect the growth and increasing diversity at Scapa.

2016/17 STRATEGIC GOALS AND PRIORITIES

Looking into the 2016/17 financial year, the strategic emphasis will be to consolidate the gains we have made to date and to further develop the business to drive growth and long-term value creation. Specifically, we look to achieve the following in the coming financial 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
- 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
- Make further acquisitions to complement the current business or deliver a new strategic platform

- Continue to improve the Group's pension and tax positions
- Continue to promote the Scapa Way embedding our core values and continue to pursue entrepreneurialism across all aspects of our business

OUTLOOK
I am very pleased with the progress we have made this year delivering continued growth, further margin improvement and a strengthened Balance Sheet. Healthcare continues to go from strength to strength, further enhanced by the acquisition of EuroMed. Industrial further improved the quality of the business with growth in margins. The continuing operational programme provides significant scope to achieve double-digit margins within Industrial despite the challenging macro environment.

We continue to maintain a disciplined approach in executing our strategy and I am excited about the opportunities that exist for the business. Whilst early in the new financial year, the Group is well positioned to make further progress in the year ahead.

BUSINESS REVIEW: HEALTHCARE

MARKET TRENDS AND OVERVIEW
Demand for products and services within the healthcare industry is ever changing and complex. Global healthcare organisations and brands expect the efficient delivery of the highest quality products at the lowest possible cost. One way for them to achieve this outcome is to find the right strategic outsource partner. Responding to these market demands, Scapa Healthcare has become a trusted outsource partner within four markets – Advanced Wound Care, Consumer Wellness, Medical Device Fixation and Drug Delivery.

Globally, key healthcare companies continue to focus on strengthening both their internal research and development, and marketing and distribution and are using outsource partners as a more efficient means of producing their products and improving the efficiency of their supply chain and speed to market. As a result, demand for third party services has grown as these companies seek to establish trusted strategic outsource partnerships. Expectations and capabilities continue to evolve as outsource partners are required to deliver more than just high quality products. They also need to provide a complete turn-key solution, including design and innovation expertise that can take a product from its earliest concept through design and manufacturing, while maintaining strict quality, process, design and cost controls. This ultimately delivers rapid speed to market to enhance the brand owner's competitive position.

Both the market and leading healthcare companies continue to call for innovation to reduce lead-times and streamline their development process. Scapa Healthcare's innovation strategy seeks to build a pipeline of both research and development innovations 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.

Last year's acquisition of First Water Limited has been very successful and the Ramsbury site continues to deliver significant profitable growth. Leveraging its hydrogel technology, new product launches have enriched its business opportunities with global wound care and consumer Healthcare customers. Strategically targeted Scapa Healthcare customers, who would directly benefit from First Water's technology and design expertise, were engaged for potential new development programmes.

The development of new product platforms to meet the diverse and growing spectrum of wearable devices led to the introduction of Scapa MEDIFIX® Long-term Wear Solutions, an extension of the MEDIFIX Solutions™ range. Long-term Wear Solutions are designed to adhere a medical device to the skin for an extended period of time by creating custom material and design combinations. A Healthy Human Wear Study was conducted and demonstrated the impact of combining different substrates and adhesives for wear-times ranging up to 14 days. This capability enables us to deliver custom developments and scalable production across the rapidly growing wearables market for true healthcare devices such as remote patient monitoring and continuous glucose monitoring.

This year also saw the launch of Scapa Soft-Pro® Silicone Gel with perforations for improved wound management. Silicone gel is inherently known for its gentle, skin friendly properties. Perforations offer the added benefit of enhanced breathability and fluid management. The capability added to our Dunstable, UK site helped to expand our turn-key manufacturing capabilities, allowing us to deliver a more comprehensive range of products to the Advanced Wound Care market.

STRATEGY AND BUSINESS MODEL
Scapa Healthcare continues to focus on being the strategic outsource partner of choice for skin friendly turn-key solutions within the four global sectors in which we operate; Advanced Wound Care, Consumer Wellness, Medical Device Fixation and Drug Delivery.

Our strategy is to remain a business-to-business partner to our 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 competitive advantage in the market-place. This enables us to build long-term trusted relationships, supported by long-term contracts that provide visible and secure streams of income for the business.

To enhance our plan we seek to increase strategic engagement with our customers through development contracts and structured programmes. 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. Our dedicated global healthcare quality teams work across all operating sites, 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.

2015/16 PERFORMANCE

Scapa Healthcare made excellent progress this year, increasing revenue by 19.2% at constant exchange rates in line with guidance at the interim results. The continued success of one of our major wound care customer's products, in addition to new product launches in the consumer market, drove positive growth throughout the year. Margins were 15.0% and trading profit growth was 17.6% at constant exchange rates. With good visibility of revenue and a growing pipeline we have continued to invest in innovation and design, setting ourselves up for future growth.

OUTLOOK

The current business strategy is working. Our turn-key value proposition continues to resonate with customers. As our brand and reputation continue to grow, so too does the pipeline of new development projects and opportunities. We are actively engaged with major healthcare companies at every level of the value chain. We will continue to invest in the business, developing 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

MARKET TRENDS AND OVERVIEW

The Industrial business operates across a diverse range of market segments throughout Europe, North America and Asia. Our market focus remains Automotive, Cable, Construction, Consumer and Specialty Products where we have a competitive position and are able to take advantage of opportunities to grow and improve our returns. While we operate under two separate business models of Engineered and Commercial Products, our philosophy of strategic engagement and a customer centric approach, which has delivered significant improvement over the last six years, remains consistent.

Our Engineered Products business model provides solutions to our global customers in the Automotive, Cable and Specialty Products markets with demand driven by approvals, specifications, localisation and technical solutions. Most customers demand the same products globally with requirements driven by a clearly defined application and tight specification. The extended process of qualification is offset by being 'designed in' for the length of a customer's product life. Our direct technical sales team takes the journey with our customers, gaining intimacy and developing an understanding of their requirements while partnering with them through the design and specification process. This strategy is working, enhancing our proposition and reputation and developing a pipeline of future opportunities.

Global automotive industry production volumes increased to a record number of units in 2015/16. The segment saw double-digit growth in Europe for Scapa well ahead of the general industrial market. Our Acrylic Foam Tape (AFT) product line continues to gain traction and supplement our core products used in wire harness, 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. Additionally, our presence in China and new low VOC technology aligns with the region's demands for environmentally-friendly products with opportunity for future market share expansion.

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. These 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 include oil and gas platforms, wind turbines, fibre optic networks and infrastructure related projects. While we look to expand our customer base there remain significant opportunities to increase our share of spend from existing customers. While many infrastructure energy projects have seen delays due the low price of oil, we have offset this through a number of successes this year such as being specified on the world's longest HVDC Subsea cable project and launching a new product line to address fire retardant requirements demanded by our customers.

Our Commercial Products business model includes the Construction, Consumer and Specialty Products segments, where we have a broad product range and, while the majority of our products are application-specific, the market environment is one of shorter lead times with a demand-driven supply chain. The long-term brands of Barnier in central Europe and Renfrew Hockey Tape in North America proudly provide leadership in their respective markets.

Our Construction segment operates across a broad range of end markets and geographies. This segment generally performs in line with macro-economic trends related to a particular geographic region. The outlook for Construction is generally positive albeit any growth will be at varying rates dependent on the regional recovery. This year has seen North America hold the strong gains we saw in the prior year while Europe has generally suffered due to the uncertainty around the macro-economic conditions.

Our Consumer segment sells primarily through our distribution network to the trade market and in Europe under our Barnier® brand. Throughout the year, Scapa celebrates the 100th year anniversary of this very successful brand. In Europe, particularly in France where we have a strong market position, we have seen a modest economic recovery. In addition to the DIY applications, we also participate in end markets where we have niche positions. As an example, we are market leaders in hockey tapes in North America which are sold through most major retailers in Canada and the US. This year the Renfrew Hockey tape introduced our NHL branded product line.

Specialty Products is an area where we can adapt and take advantage of niche market developments. As examples we are a leading supplier in the smart card market; our products are used to adhere the chip to the card in a significant number of the world's credit cards; and we also have a strong position in other niche areas such as protective laminates for the ski industry and continued exposure to components within the electronics and telecommunication markets.

BUSINESS MODEL AND STRATEGY

The Industrial business model has not fundamentally changed but has been adapted to address the nature and complexity of the supply chain within our markets. The Industrial business operates globally through two separate business models each with its own segment focus. Engineered includes the Automotive and Cable segments, whilst Commercial includes the Construction and Consumer segments; Specialty Products are covered under both models. Our continued commitment to understanding customer needs is demonstrated by concentrating on specific markets and applications, solving customer problems and driving market solutions by delivering and developing technical products that meet our customers' specifications and demands.

As our market focus continues to evolve, the opportunity to improve business through adapting our manufacturing strategy remains. We will continue to focus on improving Industrial ROCE through optimising our asset base and efficiently allocating capital. To date the consolidation of our facilities in France has proved very successful and the commencement this year of the closure and reallocation of the Swiss business is on plan to deliver the benefits in the second half of the new financial year. As a very well invested business there remains significant opportunity to further optimise the asset base and drive improved returns into the future.

2015/16 PERFORMANCE

The Industrial performance this year was mixed; the North American market remained resilient while Europe and Asia were affected by the uncertainty around the macro-economic conditions. Currency headwinds impacted the business over the year as a whole but improved significantly towards the end of the year as concerns around the UK exiting Europe have weakened Sterling. Revenue decreased 5.4% to £153.4m or 3.3% at constant exchange rates.

Trading profit increased strongly by 7.0% to £10.7m or 16.3% at constant exchange rates. Margins also increased for the sixth consecutive year to 7.0%. As we consolidate our operations we look to also improve the quality of our business, driving returns through increasing margins and reducing costs through better asset utilisation and capital allocation.

OUTLOOK

This year has seen the business demonstrate its resilience through its diversification and ability to drive returns and improve its margins. It remains well placed to take advantage of future structural growth and, maintaining the current strategy, it has further opportunity to deliver improved margins and returns. While staying conscious of macro conditions the future prospects remain positive.

FINANCE DIRECTOR'S REVIEW

RECORD REVENUE AND TRADING PROFITS

Group revenue increased by 4.5% to £246.7m (2015: £236.0m); on a constant currency basis growth was 4.1%. Healthcare revenue was £93.3m (2015: £73.8m), an increase of 26.4% or 19.2% on a constant currency basis. Industrial revenue was £153.4m (2015: £162.2m), a decrease of 5.4% or 3.3% on a constant currency basis.

The Group delivered another record year for trading profit, which increased by 14.5% to £21.3m (2015: £18.6m). Trading profit margin improved to 8.6% (2015: 7.9%). Healthcare contributed £14.0m (2015: £11.1m) maintaining margin at 15.0% (2015: 15.0%). Industrial contributed trading profit of £10.7m (2015: £10.0m) with an improved margin of 7.0% (2015: 6.2%). Total Group operating profit was £11.7m (2015: £16.0m) after charging pension administration costs of £0.7m (2015: £0.7m), intangible amortisation costs of £2.3m (2015: £1.4m) and exceptional costs of £6.6m (2015: £0.5m). Trading profit continues to be adjusted for these items to give better clarity of the underlying performance of the Group.

EXCEPTIONAL ITEMS

Exceptional income in the period was £2.1m (2015: £Nil) with £1.6m being related to pension liability management exercises that concluded in the period and £0.5m profit from the sale of a vacant plot of land in France.

Against the income we have incurred costs of £8.7m (2015: £0.5m). The majority of these costs relate to the closure of our Swiss site, £5.1m (2015: £Nil). In addition, acquisition-related costs were £2.4m (2015: £0.5m) with £2.0m (2015: £Nil) being the year one earn-out from the 2015 acquisition of First Water Ltd and £0.4m (2015: £0.5m) being costs incurred on acquisitions that did not result in a purchase transaction. In addition, as part of the reorganisation of the Group into two businesses, we incurred £1.2m (2015: £Nil) of employee-related severance costs.

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

NET FINANCE COSTS

There was a small decrease in net finance costs to £1.9m (2015: £2.3m). Net cash interest payable of £0.7m (2015: £0.7m) relates to the Group's committed £40m facility which matures in June 2018. The Group has further access at short notice to a £20m 'accordion' facility. Notional interest reduced to £1.2m (2015: £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 £3.7m (2015: £4.2m) includes a £4.9m charge (2015: £4.5m) on trading activities, and a £1.2m credit (2015: £0.3m credit) on exceptional items.

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 23.8% (2015: 25.1%). 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 20.0%.

The Group's cash tax payment in the year was £3.0m (2015: £3.9m), or 14.1% of trading profit. 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

As previously reported, acquisitions are an important part of our strategy and operating model, ensuring that the Group can sustain growth by adding new capabilities, products and services. During the year the Group paid £2.0m as the first tranche of a three-year earn-out in relation to the acquisition of First Water in February 2015. Under IFRS rules this payment has been treated as post-combination remuneration. The payment has been separated out on the face of the Income Statement to aid better understanding of the underlying performance of the Group.

IMPROVEMENT IN ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share was 10.6p (2015: 9.1p) and basic earnings per share was 4.1p (2015: 6.5p).

CASH FLOW AND NET DEBT

The Group continued to see healthy cash generation and closing net debt was £2.6m (2015: £3.4m).

Net cash generated from operating activities before exceptional items was £19.0m (2015: £18.3m) which represented 89.2% of trading profit. Net cash interest paid was £0.6m (2015: £0.6m); borrowing levels have remained relatively low and consistent year on year. Income tax paid was £3.0m (2015: £3.9m) with the decrease being from capital gains tax paid in France on the sale of the Branly site in the prior year. The site consolidation programme continues and accounts for a significant portion of the net capital expenditure of £9.7m this year (2015: £7.5m).

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 a £20m 'accordion' facility which can be accessed at short notice. This facility is considered appropriate for our current needs.

At the year end net debt was £2.6m (2015: £3.4m). The ratio of net debt to EBITDA was 0.1 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 16.7% increase in the full year dividend with a final dividend of 1.75p (2015: 1.5p). This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. Dividend cover (being the ratio of adjusted earnings per share to dividend per share) is 6.1 times. If approved at the Annual General Meeting the final dividend will be paid on 19 August 2016 to shareholders on the register on 22 July 2016.

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 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. The current year is no exception; in the US we concluded a lump sums exercise offering deferred members an exit from the Scapa scheme, and in the UK we concluded a flexible benefits project and embedded that project in the ongoing options for retiring members. The two projects removed liabilities from the schemes at a cash cost lower than the accounting value. The resulting gain on the projects has been taken to the P&L as exceptional settlement credits of £1.0m for the US and £0.6m for the UK (2015: £Nil).

Overseas cash contributions were £1.0m (2015: £0.8m) and these contributions relate to leavers and not to a deficit repair schedule of payments. Pension administration expenses of £0.7m (2015: £0.7m) in relation to the pension schemes are reported through operating profit under IAS 19 (revised).

During the year the fair value of the scheme assets decreased by £17.0m which was less than the decrease in total liabilities of £29.3m, resulting in an overall reduction of the deficit of £12.3m. Both the US and UK projects that concluded in the year removed a significant number of members and their associated assets and liabilities. This has resulted in larger than normal movements in assets and liabilities. In addition to these project-driven movements, liabilities decreased further after a small increase in the rate used to discount the liabilities, being 3.45% (2015: 3.40%). 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 all schemes was £27.5m (2015: £39.8m).

The Group's deficit has enjoyed another reduction in tough market conditions where many companies are seeing worsening IAS19 positions. Scapa has other pension projects in the pipeline and will continue to execute projects that provide the right balance of member and Company benefits. In 2012 we put in place a CAR structure with the UK Trustee and continue to make contributions under this arrangement. In the year we made contributions of £3.7m (2015: £3.5m). We expect this contribution to continue and we have the objective of buying out the pension scheme within the next ten years.

SHAREHOLDERS' FUNDS

Shareholders' funds increased by £15.9m to £77.7m (2015: £61.8m). Profit after tax was £6.1m (2015: £9.5m). The pension gain in the period was £7.9m (2015: £2.2m loss). Movements in equity that related to share issues, dividends and options reduced shareholders' funds by £0.4m (2015: £0.3m increase). Currency movements on overseas asset values were favourable in the period £2.5m (2015: £4.8m). Tax items booked directly into reserves reduced overall shareholders' funds by £0.2m (2015: £1.7m increase).

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 2016

All on continuing operations	note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Revenue	2	246.7	236.0
Operating profit	2, 4	11.7	16.0
Trading profit*		21.3	18.6
Amortisation of intangible assets		(2.3)	(1.4)
Exceptional items	5	(6.6)	(0.5)
Pension administration costs		(0.7)	(0.7)
Operating profit		11.7	16.0
Finance costs	7	(1.9)	(2.3)
Profit on ordinary activities before tax		9.8	13.7
Taxation charge	8	(3.7)	(4.2)
Profit for the year		6.1	9.5
Weighted average number of shares	9	148.3	146.8
Basic earnings per share (p)	9	4.1	6.5
Diluted earnings per share (p)	9	3.9	6.2
Adjusted earnings per share (p)**	9	10.6	9.1

* Operating profit before amortisation of intangible assets, exceptional items and pension administration costs.
** 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 2016

All on continuing operations	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Profit for the year	6.1	9.5
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translating foreign operations	2.5	4.8
Actuarial gain/(loss)	7.9	(2.2)
Items that will not be reclassified subsequently to profit and loss:		
Deferred tax on actuarial (gain)/loss	(0.2)	1.6
Deferred tax through other comprehensive income	–	0.1
Other comprehensive income for the year	10.2	4.3
Total comprehensive income for the year	16.3	13.8

Consolidated Balance Sheet
As at 31 March 2016

	note	31 March 2016 £m	31 March 2015 £m
Assets			
Non-current assets			
Goodwill	11	34.7	33.9
Intangible assets	12	3.4	5.6
Property, plant and equipment	13	46.1	42.0
Deferred tax asset	8	7.6	9.1
		91.8	90.6
Current assets			
Assets classified as held for sale	14	–	–
Inventory	15	27.1	24.8
Trade and other receivables	16	47.9	46.0
Current tax asset		0.6	0.4
Cash and cash equivalents	17	18.7	16.7
		94.3	87.9
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	19	(1.0)	(1.3)
Trade and other payables	18	(45.2)	(44.8)
Deferred consideration		(0.1)	(0.1)
Current tax liabilities		(0.2)	(0.9)
Provisions	20	(3.9)	(1.0)
		(50.4)	(48.1)
Net current assets		43.9	39.8
Non-current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	19	(20.3)	(18.8)
Trade and other payables	18	(0.2)	(0.2)
Deferred consideration		(0.1)	(0.1)
Deferred tax liabilities	8	(6.4)	(6.5)
Non-current tax liabilities		(2.0)	(1.8)
Retirement benefit obligations		(27.5)	(39.8)
Provisions	20	(1.5)	(1.4)
		(58.0)	(68.6)
Net assets		77.7	61.8
Shareholders' equity			
Ordinary shares		7.5	7.4
Share premium		0.4	0.4
Retained earnings		49.3	36.0
Translation reserve		20.5	18.0
Total shareholders' equity		77.7	61.8

Consolidated Statement of Changes in Equity
For the year ended 31 March 2016

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
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
	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
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

Consolidated Cash Flow Statement
For the year ended 31 March 2016

All on continuing operations	note	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Cash flows from operating activities			
Net cash flow from operations	21	16.5	17.6
Cash generated from operations before exceptional items	21	19.0	18.3
Cash outflows from exceptional items	21	(2.5)	(0.7)
Net cash flow from operations		16.5	17.6
Net interest paid		(0.6)	(0.6)
Income tax paid		(3.0)	(3.9)
Net cash generated from operating activities		12.9	13.1
Cash flows from investing activities			
Acquisition of subsidiary		–	(8.8)
Purchase of property, plant and equipment		(9.8)	(7.5)
Proceeds from sale of property, plant and equipment		0.1	–
Net cash used in investing activities		(9.7)	(16.3)
Cash flows (used in)/generated from financing activities			
Dividends		(2.2)	(1.5)
Issue of shares		–	0.3
Increase in borrowings		5.7	28.1
Repayment of borrowings acquired		–	(2.2)
Repayment of borrowings		(4.9)	(18.7)
Net cash (used in)/generated from financing activities		(1.4)	6.0
Net increase in cash and cash equivalents		1.8	2.8
Cash and cash equivalents at beginning of the year		16.7	13.6
Exchange gains on cash and cash equivalents		0.2	0.3
Total cash and cash equivalents at end of the year	17	18.7	16.7

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 2016. 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 2016.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 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 2016. 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

At the beginning of the year the Group reorganised from a market based matrix organisation into two standalone businesses: Healthcare and Industrial, supported by a strategic Corporate function.

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 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 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

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 2016	95.4	121.0	15.1	15.2	246.7
External revenue – 31 March 2015	92.7	111.5	15.0	16.8	236.0

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 2016	101.9	129.3	14.0	1.5	246.7
External revenue – 31 March 2015	100.7	117.5	16.1	1.7	236.0

The single largest customer in the Group constitutes 12.1% of total Group revenue.

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

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	73.8	162.2	–	236.0
Trading profit/(loss)	11.1	10.0	(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	10.0	(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

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	73.8	162.2	–	236.0
Foreign exchange	4.5	(3.6)	–	0.9
Underlying external revenue	78.3	158.6	–	236.9
Trading profit/(loss)	11.1	10.0	(2.5)	18.6
Foreign exchange	0.8	(0.8)	–	–
Underlying trading profit/(loss)	11.9	9.2	(2.5)	18.6

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 2016 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*	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

The assets and liabilities at 31 March 2015 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	32.9	46.9	1.7	–	81.5
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

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:

	2016 £m	2015 £m
Revenue	246.7	236.0
Materials and overheads	(121.5)	(118.7)
Factory costs	(19.3)	(17.9)
Outward freight costs	(6.4)	(7.0)
Directors' and employees' costs	(64.3)	(59.6)
Depreciation of tangible fixed assets		
– owned assets	(5.1)	(5.1)
– leased assets	(0.2)	(0.1)
Operating lease rentals		
– land and buildings	(2.2)	(1.8)
– plant, machinery and other	(1.1)	(0.9)
Repairs and maintenance costs	(2.7)	(2.6)
Research and development costs	(3.0)	(2.8)
Amortisation of government grants received	0.1	–
Movement in fair value of financial instruments	–	0.1
Foreign exchange gains/(losses)	0.1	(0.1)
Amortisation of intangible assets	(2.3)	(1.4)
Decrease in inventory provision	0.2	0.2
Impairment loss recognised in trade receivables	(1.1)	(0.6)
Exceptional items	(6.6)	(0.5)
Pension administration costs	(0.7)	(0.7)

The analysis of auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Audit fees – Parent Company	85	76
Audit fees – subsidiary undertakings	241	267
Taxation compliance services	29	35
Taxation advisory services	64	43
Other assurance services	1	1
Corporate finance services	142	114
Other non-audit services	–	10
	562	546

Total audit fees were £326,000 (2015: £343,000). Total non-audit fees were £236,000 (2015: £203,000).

5. Exceptional items

	2016 £m	2015 £m
Operating income:		
UK pension settlement gain	0.6	–
US pension settlement gain	1.0	–
Bellegarde land sale	0.5	–
Operating expenses:		
Site closure costs	(3.5)	–
Asset write offs and accelerated depreciation	(1.6)	–
Post-combination remuneration	(2.0)	–
Reorganisation costs	(1.2)	–
Abortive acquisition costs	(0.4)	–
Acquisition costs	–	(0.5)
	(6.6)	(0.5)

Exceptional operating income

£1.6m of the income relates to pension projects in the UK and US. 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; this asset was reported as an asset for sale in the prior year (see note 14).

Exceptional operating costs

£5.1m of exceptional expenses in the period relate to the announcement made in April 2015 that the Company had begun consultations with employees at our Swiss site about the potential closure of the site. The decision has subsequently been made to close the site and relocate certain activities across the remaining Scapa businesses, mainly to France. As a direct consequence of this decision plant and machinery has been impaired down to its recoverable value resulting in an asset impairment of £1.6m. The impairment is net of any potential disposal proceeds and is only on assets that we are not able to use elsewhere within the Group. In addition to the asset impairments, £3.5m is the current best estimate of the costs to close the site. This cost includes all the employee and 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.

In addition to the impact on the 31 March 2016 results certain employees are required to operate the plant during its run down period. The costs of retaining these staff over and above their normal remuneration will be expensed through exceptional costs as incurred over the closure period. The closure of the site is due to take a further six months and will leave the land and buildings vacant and available for sale or redevelopment. In its current state the value of land and buildings is fairly stated at its historic cost. Certain costs may be incurred in the future to enhance the site if it is deemed economic to attain a higher final sale price. The land and buildings are not reported as assets held for sale as at 31 March 2016 as the Group does not foresee a sale as probable within the next 12 months.

During the period to 31 March 2016, £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. The Group also spent £0.4m on costs associated with potential acquisitions. The purchases were aborted and the costs have been separately disclosed. In the prior year the Group incurred exceptional costs of £0.5m associated with the acquisition of First Water Limited.

6. Employee benefit expense

	2016 £m	2015 £m
Wages, salaries and other benefits	52.9	49.0
Social security costs	7.3	7.0
Share options granted to Directors and employees	1.8	1.5
Pension costs – defined contribution plans	1.9	2.0
Pension costs – defined benefit plans	0.4	0.1
	64.3	59.6
Pension curtailments and service costs (note 5)	(1.6)	–
	62.7	59.6

Average employee numbers	2016	2015
Europe	686	629
North America	523	516
Asia	115	107
	1,324	1,252

7. Net finance costs

	2016 £m	2015 £m
Interest payable on bank loans and overdrafts	(0.7)	(0.7)
Expected return on pension scheme assets less interest on scheme liabilities (note 24)	(1.2)	(1.6)
Net finance costs	(1.9)	(2.3)

8. Taxation

Income tax charge

	2016 £m	2015 £m
Current tax:		
Tax on trading activities – current year	(3.0)	(3.4)
Tax on trading activities – prior year	0.4	0.2
Tax on non-trading items	0.2	0.1
Total current tax	(2.4)	(3.1)
Deferred tax:		
Tax on trading activities – current year	(2.4)	(0.8)
Tax on trading activities – prior year	0.1	(0.5)
Tax on non-trading items	1.0	0.2
Total deferred tax	(1.3)	(1.1)
Tax charge on trading activities for the year	(4.9)	(4.5)
Tax charge on non-trading items for the year	1.2	0.3
Tax charge for the year	(3.7)	(4.2)

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

	2016 £m	2015 £m
Profit on ordinary activities before tax	9.8	13.7
Theoretical tax charge at 20% (2015: 21%)	(2.0)	(2.9)
Movements to unprovided deferred tax	0.6	0.7
Income not taxable and other deductions	0.2	0.3
Items not deductible for tax purposes and other taxable items	(1.3)	(0.3)
Effect of overseas tax rates being higher than UK tax rate	(1.7)	(1.7)
Adjustments in respect of prior years	0.5	(0.3)
Actual tax charge for the year	(3.7)	(4.2)

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

	2016 £m	2015 £m
Deferred tax assets:		
– Losses	2.0	3.5
– Provisions and other short-term timing differences	3.7	4.3
– Retirement benefit liabilities	3.8	4.4
	9.5	12.2
Deferred tax liabilities:		
– Accelerated tax depreciation	(2.9)	(3.3)
– Other short-term timing differences	(0.2)	(1.1)
– Tax effect of intangibles	(0.6)	(0.8)
– Provision for potential tax liability	(4.6)	(4.4)
	(8.3)	(9.6)

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:

	2016 £m	2015 £m
Deferred tax assets as above	9.5	12.2
– Accelerated tax depreciation liabilities/assets in different countries	(1.9)	(3.1)
Deferred tax asset on the Balance Sheet	7.6	9.1
Deferred tax liabilities as above	(8.3)	(9.6)
– Accelerated tax depreciation liabilities in different countries	1.9	3.1
Deferred tax liability on the Balance Sheet	(6.4)	(6.5)

Tax assets amounting to £11.8m (2015: £14.3m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction.

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

Movement in deferred tax	2016 £m	2015 £m
Beginning of the year	2.7	2.9
Income Statement charge	(1.3)	(1.1)
Acquisitions	–	(0.8)
Deferred tax on actuarial (gain)/loss	(0.2)	1.6
Deferred tax through other comprehensive income	–	0.1
End of year	1.2	2.7

Deferred tax items have not been recognised in respect of the following items	2016 £m	2015 £m
Accelerated capital allowances	3.6	3.8
Short term timing differences	1.0	1.0
Pensions	2.4	4.7
Tax losses	4.8	4.8
Total	11.8	14.3

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 157,296,423 (2015: 153,093,244). Diluted earnings per share has been calculated including share options in existence at 31 March 2016.

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.

	2016	2015
Profit attributable to equity holders of the Company (£m)	6.1	9.5
Weighted average number of ordinary shares in issue (m)	148.3	146.8
Basic earnings per share (p)	4.1	6.5
Weighted average number of shares in issue, including potentially dilutive shares (m)	157.3	153.1
Diluted earnings per share (p)	3.9	6.2
Adjusted earnings per share (p)	10.6	9.1

10. Dividend per share

A final dividend of 1.75p per share is proposed for the year ended 31 March 2016 (2015: 1.5p).

11. Goodwill

	2016 £m	2015 £m
Cost		
1 April	56.3	44.0
Additions	–	6.7
Exchange differences	1.4	5.6
31 March	57.7	56.3
Accumulated amortisation and impairment		
1 April	(22.4)	(19.9)
Exchange differences	(0.6)	(2.5)
31 March	(23.0)	(22.4)
Net book value at 31 March	34.7	33.9

Goodwill relates to the Acutek Medical operation £13.4m (2015: £13.1m), Webtec £14.6m (2015: £14.1m) and First Water Limited £6.7m (2015: £6.7m).

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2016. 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 kept constant for years 6 to 20. These cash flows are discounted at a pre-tax discount rate of 10.0% (2015: 10.0%) 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 14.0% would result in positive headroom remaining, compared to the carrying value of goodwill for each cash-generating unit.

12. 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 2014	–	1.1	3.1	2.1	0.4	6.7
Exchange differences	–	0.1	0.4	0.3	0.1	0.9
Acquisition of subsidiary	1.2	–	1.6	–	0.4	3.2
31 March 2015 and 1 April 2015	1.2	1.2	5.1	2.4	0.9	10.8
Exchange differences	–	–	–	0.1	–	0.1
Additions	0.2	–	–	–	–	0.2
31 March 2016	1.4	1.2	5.1	2.5	0.9	11.1
Amortisation						
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 and 1 April 2015	–	(1.2)	(2.5)	(1.2)	(0.3)	(5.2)
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	(0.3)	(1.2)	(3.8)	(1.9)	(0.5)	(7.7)
Carrying amount						
31 March 2016	1.1	–	1.3	0.6	0.4	3.4
31 March 2015	1.2	–	2.6	1.2	0.6	5.6
Remaining useful economic life	3	–	0.75 – 4	2	2 – 3	

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.

13. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 2014	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 resale	(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 and 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	21.7	8.0	97.1	4.2	18.6	1.8	151.4

Accumulated depreciation							
1 April 2014	(9.2)	(4.9)	(69.3)	(4.7)	(16.7)	–	(104.8)
Exchange differences	(0.1)	(0.1)	0.3	0.1	(0.1)	–	0.1
Depreciation	(0.5)	(0.2)	(3.5)	(0.2)	(0.8)	–	(5.2)
Impairment reversal	–	–	0.3	–	–	–	0.3
Transfer to assets held for resale	0.3	–	–	–	–	–	0.3
Disposals	–	0.9	3.1	0.4	0.5	–	4.9
31 March 2015 and 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	(9.2)	(4.5)	(70.6)	(3.4)	(17.6)	–	(105.3)
Carrying amount							
31 March 2016	12.5	3.5	26.5	0.8	1.0	1.8	46.1
31 March 2015	8.9	3.6	23.2	0.7	0.9	4.7	42.0

The Group has not revalued any item of property, plant and equipment. Impairment of property, plant and equipment of £1.6m in the year relates to the closure of the Rorschach site in Switzerland and £0.3m was reversed in the prior 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:

	2016 £m	2015 £m
Cost	0.6	0.6
Accumulated depreciation	(0.3)	(0.1)
Net book amount	0.3	0.5

During the year ending March 2016 there were no events or changes in circumstance that would indicate the carrying value of property, plant and equipment may not be recoverable.

14. Assets classified as held for sale

Assets classified as held for sale	2016 £m	2015 £m
Bellegarde site cost	–	0.3
Bellegarde site depreciation	–	(0.3)
Carrying value at 31 March	–	–

A dormant site in Bellegarde France was held as an asset held for sale in the prior year. During the current year we entered into a binding agreement to sell the site. The asset was held at nil net book value and the profit on disposal was £0.5m.

15. Inventory

	2016 £m	2015 £m
Raw materials	10.1	9.4
Work in progress	7.4	6.3
Finished goods	9.6	9.1
	27.1	24.8

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £121.5m (2015: £118.7m).

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

16. Trade and other receivables

	2016 £m	2015 £m
Amounts due within one year:		
Trade receivables	45.6	44.1
Less: provisions for impairment	(2.3)	(1.3)
Trade receivables – net	43.3	42.8
Other debtors	1.7	1.2
Prepayments and accrued income	2.9	2.0
Total amounts due within one year	47.9	46.0

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

	2016 £m	2015 £m
Pounds Sterling	5.2	4.6
US Dollars	20.5	20.0
Euros	17.7	14.9
Other	4.5	6.5
	47.9	46.0

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

	2016 £m	2015 £m
Less than 1 month	0.4	0.3

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 year. All of the above amounts are considered recoverable, but are not insured.

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

	2016 £m	2015 £m
Opening provision at 1 April 2015	1.3	0.8
Charge for the year	1.1	0.6
Receivables written off in the year	(0.1)	(0.1)
Closing provision at 31 March 2016	2.3	1.3

Included in the impairment provision are individually impaired trade receivables with a gross balance of £2.3m (2015: £1.3m). 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:

	2016 £m	2015 £m
Greater than 3 months	2.3	1.3

17. Cash and cash equivalents

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

	2016 £m	2015 £m
Cash and cash equivalents	18.7	16.7

18. Trade and other payables

	2016 £m	2015 £m
Amounts due within one year:		
Trade payables and trade accruals	30.0	29.5
Other taxes and social security	4.5	4.1
Other creditors	10.7	11.2
	45.2	44.8
Amounts due after more than one year:		
Other creditors	0.2	0.2

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

	2016 £m	2015 £m
Amounts due within one year:		
Pounds Sterling	10.4	12.7
US Dollars	13.3	11.2
Euros	17.6	15.6
Other	3.9	5.3
	45.2	44.8

	2016 £m	2015 £m
Amounts due after more than one year:		
US Dollars	0.1	0.1
Euros	0.1	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 78 days (2015: 79 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.

19. Borrowings

	2016 £m	2015 £m
Amounts due within one year:		
Finance leases	0.2	0.1
Other loans	0.8	1.2
	1.0	1.3
Amounts due after more than one year:		
Bank loan	20.2	18.6
Finance leases	0.1	0.2
	20.3	18.8
Total borrowings	21.3	20.1

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:

1. the committed value of the facility is £40m
2. there is access to 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

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 2016 – Bank loans and overdrafts	2.1%
31 March 2015 – Bank loans and overdrafts	2.1%

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

	2016 £m	2015 £m
Pounds Sterling	11.6	13.3
US Dollars	9.7	6.8
	21.3	20.1

The total borrowings figure is presented net of unamortised debt issue costs of £0.3m (2015: £0.4m).

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 2016 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2015: £Nil).

The Group has the following undrawn borrowing facilities:

	2016 £m	2015 £m
Bank loan (committed)	19.5	21.0
Bank loan ('accordion')	20.0	20.0
Overdrafts	1.0	1.0

20. Provisions

	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	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 the 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

The £5.0m (2015: £1.7m) reorganisation provision relates to dilapidations for leasehold property of £1.8m (2015: £1.5m) and £0.3m (2015: £0.2m) in relation to reorganisation costs. There is also a £2.8m provision relating to the closure of the Rorschach site which is expected to be fully utilised by 30 September 2016 and £0.1m relating to building costs in France.

Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in Europe of £0.4m (2015: £0.6m) and North America of £Nil (2015: £0.1m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next three years.

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

All on continuing operations	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Operating profit	11.7	16.0
Adjustments for:		
Depreciation and amortisation	7.5	6.6
Exceptional pension settlement	(1.6)	–
Impairment/(reversal) of impairment of tangible fixed assets	1.6	(0.3)
Pensions payments in excess of charge	(4.4)	(4.2)
Movement in fair value of financial instruments	–	0.1
Share options charge	1.8	1.5
Grant income released	(0.1)	–
Changes in working capital:		
Inventories	(1.7)	0.2
Trade debtors	0.9	(1.8)
Trade creditors	(0.4)	(1.1)
Changes in trading working capital	(1.2)	(2.7)
Other debtors	(1.1)	(0.3)
Other creditors	(0.4)	2.0
Deferred consideration	(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	2.9	(0.9)
Cash generated from operations	16.5	17.6

	2016 £m	2015 £m
Cash generated from operations before exceptional items	19.0	18.3
Cash outflows from exceptional items	(2.5)	(0.7)
Cash generated from operations	16.5	17.6

Analysis of cash and cash equivalents and borrowings

	At 1 April 2015 £m	Cash flow £m	Exchange movement £m	At 31 March 2016 £m
Cash and cash equivalents	16.7	1.8	0.2	18.7
Borrowings within one year	(1.3)	0.3	–	(1.0)
Borrowings after more than one year	(18.8)	(1.2)	(0.3)	(20.3)
Total borrowings	(20.1)	(0.9)	(0.3)	(21.3)
Total	(3.4)	0.9	(0.1)	(2.6)