STRATEGIC VALUE CREATION

SCAPA GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2016

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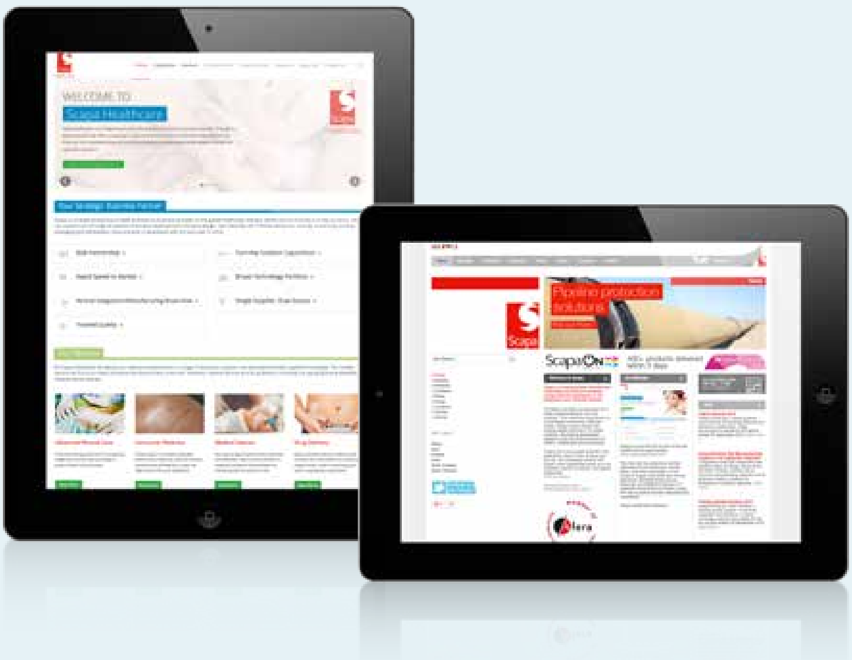
SCAPA GROUP IS A LEADING GLOBAL MANUFACTURER OF BONDING PRODUCTS AND ADHESIVE COMPONENTS FOR APPLICATIONS IN THE HEALTHCARE AND INDUSTRIAL MARKETS.

AT SCAPA, WE BASE OUR APPROACH ON A DEEP UNDERSTANDING OF OUR CORE MARKETS. THIS UNDERSTANDING ALLOWS US TO ANTICIPATE TOMORROW'S CUSTOMER NEEDS AND TO ENABLE OUR CUSTOMERS TO SUCCEED IN DYNAMIC MARKETS.

For more information, visit our website **www.scapa.com** or **www.scapahealthcare.com** for more information about our Healthcare sector.



STRONG PERFORMANCE ACROSS THE GROUP

> Record performance for the Group delivering revenue, trading profit* and earnings** growth for the sixth consecutive year

> Clearly defined strategy has delivered revenue of £246.7m, a growth of 4.5%

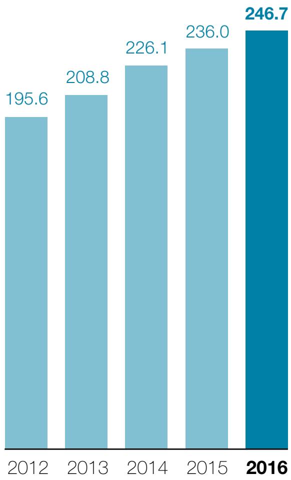
> Customer focus and strong operational delivery have seen trading profit increase to £21.3m, a growth of 14.5%

> Operational gearing and the continued focus on asset optimisation have seen trading margins continue to improve to 8.6%

> We continue to create significant shareholder value with a 16.5% increase in adjusted earnings per share to 10.6p

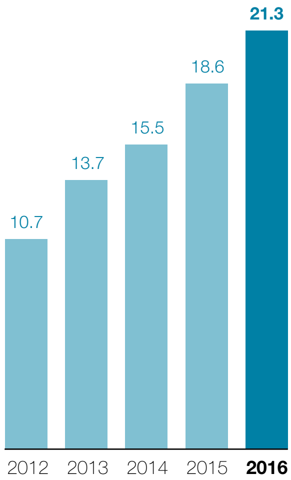
REVENUE

£246.7M



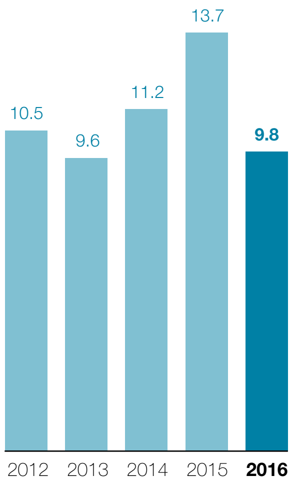
TRADING PROFIT*

£21.3M



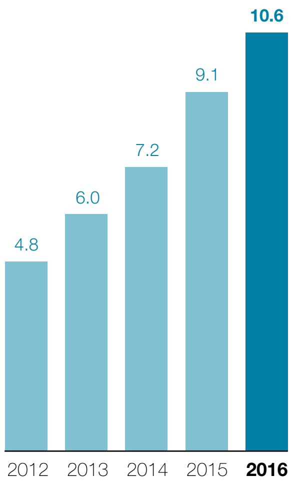
PROFIT BEFORE TAX

£9.8M



ADJUSTED EARNINGS PER SHARE**

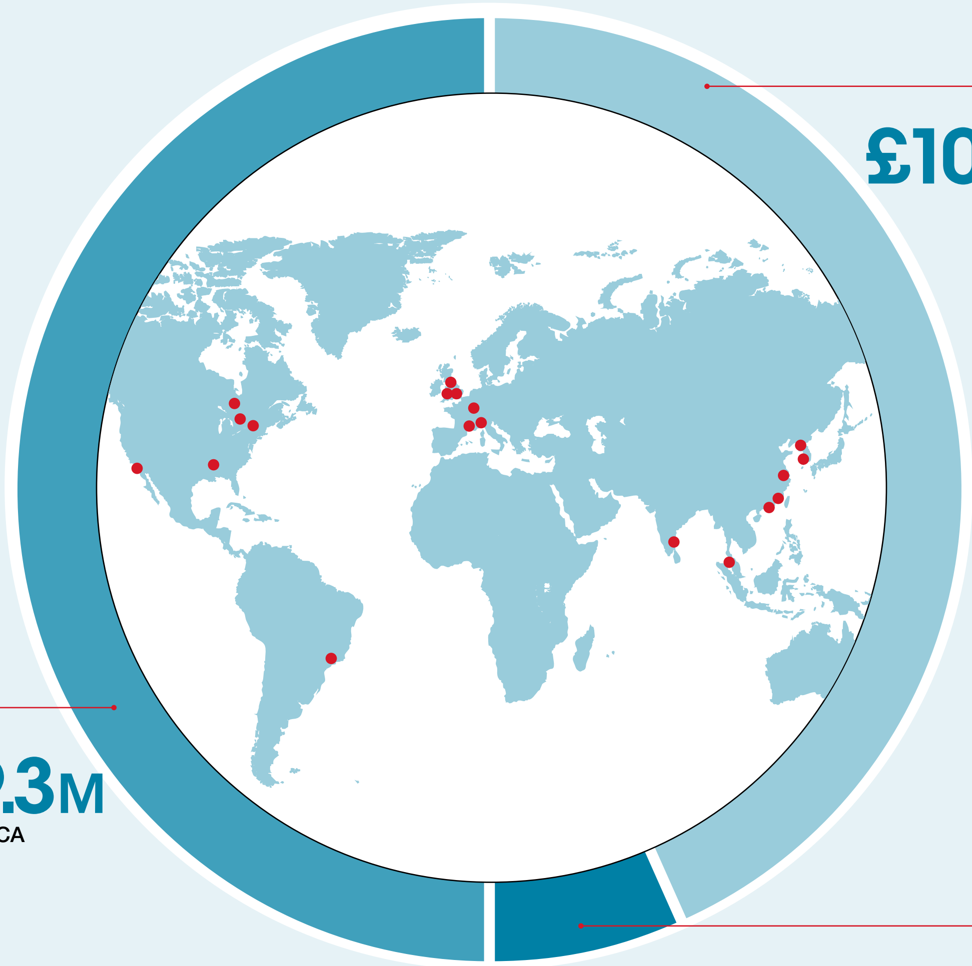
10.6P



* Operating profit before amortisation of intangible assets, exceptional items and pension administration costs
** Adjusted for exceptional items, amortisation of intangible assets, pension administration costs, non-cash interest, and the tax thereon

OUR GLOBAL REACH

Scapa Group is made up of two distinct and separate businesses: Healthcare and Industrial, each with its own focus and strategy. With a global reach in each of the markets in which we participate, we are focused on sustainable growth and innovation, improving the solutions for our customers by applying our knowledge and expertise in advanced material technology and process solutions.



GEOGRAPHY
£103.4M
EUROPE

GEOGRAPHY
£129.3M
NORTH AMERICA

GEOGRAPHY
£14.0M
ASIA

GLOBAL LOCATIONS

Scapa Americas

Brazil
São Paulo

Canada
Renfrew

USA
Inglewood, Knoxville, Liverpool, Windsor

Scapa Europe

France
Valence

Italy
Ghislarengo

Switzerland
Rorschach

United Kingdom
Dunstable, Manchester, Luton, Ramsbury

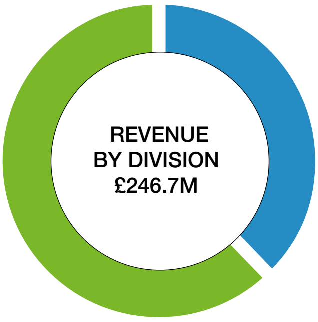
Scapa Asia

China
Hong Kong, Shanghai, Shenzhen

India
Chennai

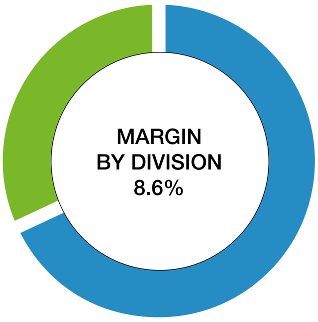
Korea
Chungyang, Anyang

Malaysia
Shah Alam



Healthcare **£93.3M**
Industrial **£153.4M**

Healthcare **£14.0M**
Industrial **£10.7M**
Corporate **(£3.4M)**



Healthcare **15.0%**
Industrial **7.0%**

HEALTHCARE

A trusted strategic outsource partner to the global healthcare industry, delivering turn-key solutions and support for our customers through all stages of the product life cycle.

HIGHLIGHTS

> Introduction of Scapa MEDIFIX® Long-term Wear Solutions
> Integration of First Water leveraging its technology to deliver strong growth
> Launched Soft Pro® Silicon Gel with perforations into the Advanced Wound Care market
> Signed a six-year contract extension with Convatec

MARKET SNAPSHOT

The market sectors we focus on today are Advanced Wound Care, Consumer Wellness, Medical Devices and Drug Delivery, including the rapidly growing Wearable Medical Device Fixation market. With our global footprint we can service and support all customer needs wherever they may be.

INDUSTRIAL

The Industrial business operates across a wide range of markets and geographies. It manufactures and delivers an extensive portfolio of adhesive bonding solutions and applications to a global customer base.

HIGHLIGHTS

> Selected as a supplier for the longest subsea cable project in the world
> Asset optimisation strategy is working with our French facility consolidation delivered on budget and on time
> Margins improved for the sixth consecutive year at constant currency
> Targeted capital investment in Canada and South Korea to support growth in their Automotive and Cable markets

MARKET SNAPSHOT

With a global market through business models of Engineered and Commercial Products, our segment focus includes: Automotive, Cable, Construction, Consumer and Specialty Products.

DRIVING GROWTH THROUGH STRATEGIC AND OPERATIONAL EXECUTION

"Scapa remains well positioned to exploit the opportunities that exist for the business."

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, Healthcare and Industrial, each with a clear strategy. Healthcare is at the forefront of the outsourcing trend that is reshaping the healthcare industry. The 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.

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.

The Industrial strategy is to drive the return on capital employed through asset optimisation and achieve double-digit profit margins. 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.

Further information on corporate governance can be found on pages 36 to 68.

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.

James A S Wallace

J A S WALLACE
Chairman
24 May 2016

DRIVING PROFITABLE GROWTH THROUGH STRATEGIC AND OPERATIONAL EXECUTION

"We continue to maintain a disciplined approach in executing our strategy and I am excited about the opportunities that exist for the business."

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.

OUR EXECUTIVE TEAM

From left to right:
Sayoung Jung
Director of Strategy and Corporate Development
Chris Carter
Chief Operating Officer
Kären Olson
Group President, Industrial
Graham Hardcastle
Group Finance Director
Rebecca Smith
Group General Counsel and Company Secretary
Heejae Chae
Group Chief Executive
Clare Douglas
Group HR Director
Joe Davin
Group President, Healthcare

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
- > Promote the Scapa Way by embedding our core values and continuing 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 Inc. 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.

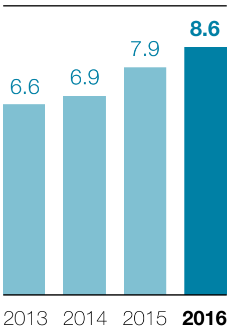
H R CHAE
Group Chief Executive
24 May 2016

DELIVERING AGAINST OUR STRATEGY

Our key performance indicators (KPIs), which include financial and non-financial measures, enable the Board to monitor performance. They have been selected as being important to the success of the Group in delivering its strategic objectives.

RETURN ON SALES

8.6%



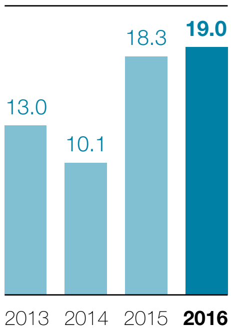
Definition Return on sales is trading profit as a percentage of revenue.

Commentary Return on sales is used to measure the underlying profitability of our operations and monitor the improvement against previous years.

Why we measure Assess whether growth is sustainable and profitable.

UNDERLYING CASH FLOW FROM OPERATIONS

£19.0M



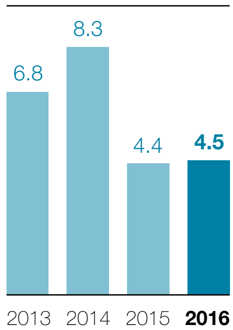
Definition Underlying cash flow is calculated using the cash from operations and adjusting for exceptional items.

Commentary Generating sufficient levels of cash to ensure that the Group is able to pursue its strategic goals. Underlying cash flow is an indicator of the Group's efficiency in generating cash from the trading profits of the business.

Why we measure Track the ongoing availability of cash for investment back into the Group.

REVENUE GROWTH

4.5%



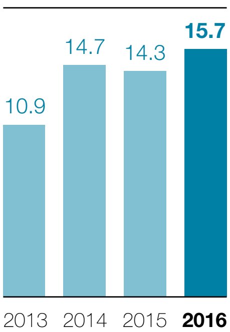
Definition Revenue growth measures the change in revenue achieved against prior year.

Commentary Revenue growth is monitored at both consistent and actual exchange rates (see also segmental reporting) as a measure of the growth of the Group. The metric used by the Group is actual exchange rates as shown above.

Why we measure Track the relative performance of our growth.

ADJUSTED RETURN ON CAPITAL EMPLOYED (ROCE)

15.7%



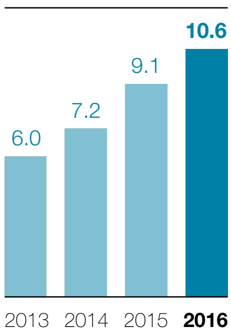
Definition ROCE is defined as trading profit divided by the capital employed (equity plus long-term liabilities).

Commentary By delivering our strategy it is important to increase shareholder value. Adjusted ROCE is used together with the profit measures to monitor the efficient use of Group assets.

Why we measure Monitor value created from investments.

ADJUSTED EARNINGS PER SHARE

10.6P



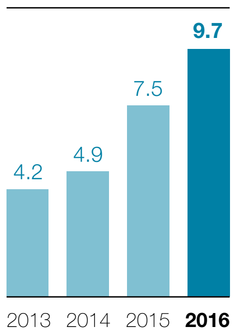
Definition Earnings per share (EPS) is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year.

Commentary By delivering our strategy we will create value and increase profits. Adjusted EPS is the measure used by the Board to assess the overall profitability of the Group.

Why we measure Track value generation for the Group's shareholders.

CAPITAL EXPENDITURE

£9.7M



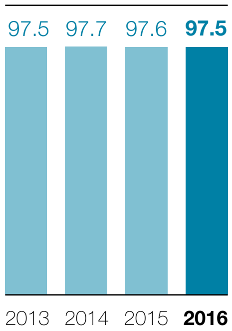
Definition Capital expenditure in the year on property, plant and equipment and excluding acquisitions.

Commentary To enable the Group to continue to grow and improve customer satisfaction, Scapa invests in maintaining and improving our existing plants and facilities. Capital expenditure is an indicator of investment in production capacity and development.

Why we measure Investment is vital to maintain our position and create future value.

CUSTOMER SATISFACTION PER ORDER

97.5%



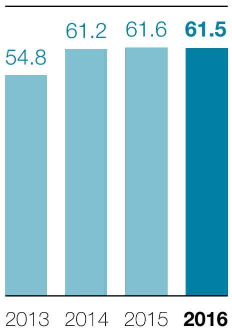
Definition Customer satisfaction measured by the percentage of the orders during the year that do not lead to a complaint.

Commentary The number of complaints is an indicator of customer satisfaction.

Why we measure Track the performance in customer relationships.

CAPACITY UTILISATION

61.5%



Definition Hours booked to production as a percentage of total possible, based on running 24 hours a day 5 days a week.

Commentary Managing capacity allows us to be responsive to customer needs by balancing cost efficiency and flexibility of production. We can simplify engagement with our customers by offering a balanced portfolio of available capacity across the globe.

Why we measure To ensure that a balance is struck between cost efficiency and flexible production.

SERVICE PERFORMANCE

87.2%

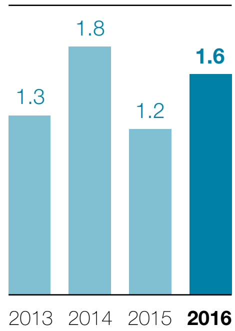
Definition Service performance and ease of engagement measured as the number of times the requested delivery date is met as a percentage of the total orders

Commentary To build partnerships and ease engagement it is essential to meet customer needs and requests.

Why we measure Measure service provided to our channels/partners

LOST TIME INJURY FREQUENCY RATE (LTIFR)

1.6



Definition The number of lost time accidents which occurred in the year across all European and North American sites per 200,000 hours worked.

Commentary We maintain that zero accidents/incidents is the ultimate goal in Environmental, Health & Safety (EHS) excellence and we will continue to strive for this in both lost time accidents and lost days. As a manufacturing business a significant proportion of our employees work in production. This measure indicates the Group performance in reducing accidents and improving health and safety for our employees. Unfortunately our Lost Time Injury Frequency Rate has increased when compared with the prior year, although the severity rate has remained static.

Why we measure Protecting our people and acting responsibly is a must.

EMBEDDED RISK MANAGEMENT SYSTEMS HAVE SUPPORTED THE GROUP IN PURSUING ITS STRATEGY FOR GROWTH

RISK MANAGEMENT

Risk is an inherent part of doing business. A successful risk management process balances risk and reward and is underpinned by sound judgement of their impact and likelihood. The Group Board has overall responsibility for ensuring that Scapa has an effective risk management framework, which is aligned to our objectives.

The Executive Team, Audit and Risk Committee and Board review risks which could affect the Group throughout the year. Risk and issue tracking systems are reviewed by our Group Risk & Assurance team on a regular basis to ensure that the framework is in line with good practice in risk management and that agreed mitigation plans are being adhered to.

We take the view that the policies, procedures and monitoring systems that are in place are sufficient to effectively manage the risks faced by our business.

SCAPA'S APPROACH TO RISK MANAGEMENT

Scapa adopts both a Top down and Bottom up approach to risk to manage risk exposure across the Group to enable the effective pursuit of strategic objectives. The approach is summarised in the diagram below.

Risk identification

Risks exist within all areas of our business and it is important for us to identify and understand the degree to which their impact and likelihood of occurrence will affect the delivery of our key objectives.

The recording of risks at Scapa is achieved through our risk management model. Their identification is achieved through day-to-day working practices including horizon scanning for legislative changes, professional body alerts, strategic planning, operational reviews, accident and incident reporting, project governance procedures and independent systems audits.

In addition to ongoing risk identification, the Group's risk universe is reviewed on an annual basis. This exercise relies on risk intelligence being gathered from:

> Top down – through participation from the Executive Team, senior management and departmental experts (including Quality, Health & Safety, Supply Chain and Research & Development) and giving consideration to the Group's strategy, related objectives and any barriers and enablers to the achievement of these objectives

INTEGRATED APPROACH TO RISK MANAGEMENT

MANAGING RISK FROM THE TOP DOWN

TOP DOWN STRATEGIC RISK MANAGEMENT		BOTTOM UP OPERATIONAL RISK MANAGEMENT
> Provision of guidance on the Group's approach to risk management and establishing parameters for risk appetite and associated decision-making > Identification, review and management of identified Group strategic risks and associated actions > Ongoing consideration of environmental risks > Setting the risk appetite of the Group	Board and Audit and Risk Committee	> Assessing the effectiveness of the risk management processes adopted across the Group > Challenging the content of the strategic risk registers to facilitate the documentation of comprehensive and balanced assessment of risk > Reporting on the principal risks and uncertainties of the Group
> Directing delivery of the Group's identified actions associated with managing risk > Identification and monitoring of the key risk indicators and taking timely action where appropriate	Executive Team and Leadership Team	> Responsible for reviewing the completeness and consistency of the operational risk registers across business units and the Group > Challenging the appropriateness and adequacy of proposed action plans to mitigate risk > Analysing and giving consideration to the aggregation of risk across the Group > Provision of cross functional/business unit resource to effectively mitigate risk where appropriate
> Execution of the delivery of the Group's identified actions associated with managing risk > Timely reporting on the implementation and progress of agreed action plans > Provision of key risk indicator updates	Business Units	> Identification and reporting of strategic risks to the Board > Provision of reports and data relating to significant emerging risks to the Group (internal and external) > Implementation of a risk management approach which promotes the ongoing identification, evaluation, prioritisation, mitigation and monitoring of operational risk > Identification, evaluation, prioritisation, mitigation and monitoring of operational risks which are the responsibility of each subsidiary company > Identification of strategic risks which are reported to the Group

MANAGEMENT RISK FROM THE BOTTOM UP

EFFECTIVE PURSUIT OF STRATEGIC OBJECTIVES

> Bottom up – by engaging with our people, listening to their views and recognising their contribution (e.g. through schemes such as 'ideas that stick'). In addition, we have a robust and effective whistleblowing procedure to highlight issues such as potential wrongdoing or risks that are not being managed

In determining the relative importance of risks in our risk universe, we use a scoring mechanism to identify the likelihood of a risk crystallising and the impact this would have on the achievement of our strategic objectives, assuming that no controls are in place (inherent risk score).

Assessment

After identifying Scapa's inherent risk exposure, we assess the suitability and effectiveness of existing controls and mitigating factors to ascertain the Group's net exposure (mitigated risk score).

This process includes mapping the sources and reliability of assurances over the effectiveness of controls provided to the Executive Team, Audit and Risk Committee and Board.

In addition to assessing the mitigated risk, the Board with the assistance of a third party, undertook a focused exercise in the year to identify its risk tolerance and appetite

Addressing risks

An assessment of whether additional actions are required to reduce our exposure to risk:

> Treat – develop an action plan to implement additional controls, or provide additional assurance over the adequacy and effectiveness of existing controls
> Transfer – use third party expertise to mitigate against risk
> Tolerate – determine that the risk is within appetite, when compared with the cost and resources required to reduce the risk
> Terminate – exit the activity

Monitoring and reporting

The process used by the Audit and Risk Committee to review the effectiveness of risk management includes:

> Six-monthly review of the Group's risk profile to assess potential risk areas and progress against action plans
> Review of internal and external audit plans to minimise duplication of assurance provision
> Six-monthly review of the implementation of internal audit recommendations
> Six-monthly review of the status of management actions associated with the issues

RISK MANAGEMENT MODEL

INTERNAL CONTROL

The Group's approach to internal control is based on the 2013 COSO Internal Control – Integrated Framework.

Internal control is an ongoing process which is engrained in Scapa's activities and operations. The aim of our internal control framework is to provide reasonable assurance to the Board over the following areas:

> The effectiveness and efficiency of operations
> The reliability of financial reporting
> Compliance with relevant laws and regulations

Scapa's internal control framework consists of the following key components:

Control environment – The 'tone from the top' of Scapa and the foundation upon which all other components of the framework rest. We have tried to capture the attributes, integrity, values and competencies that Scapa employees display within our Code of Conduct.

Risk assessment – Our awareness of the risks we face and the actions we take to address and mitigate the risks identified.

Control activities – The policies and procedures that help ensure that actions and directives required by management are carried out.

Information and communication – The ability for Scapa employees to capture and exchange the information needed to conduct, manage and control our operations. Employees' understanding of their own role in the internal control framework.

Monitoring activities – Continuous review and improvement where necessary to allow the system to react dynamically and change as needed.

Site-based teams operate against mandated minimum control standards which are issued by the Group Finance Director. Annual assessments of compliance are completed by site teams as part of a controls self-assessment process introduced during 2012/13. Each site team is subject to regular internal audit, with the objective of assessing the extent of compliance with these standards and to assess the accuracy of the controls self-assessment.

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

RISK AND CONTROL REPORTING STRUCTURE

Our internal control structures are designed to provide assurance that the Group is on track in delivering against its strategic objectives.

Scapa has a clear structure for ensuring that accurate and reliable information on the adequacy and effectiveness of internal controls is presented to the Executive Team, Audit and Risk Committee and Board.

We operate 'three lines of defence':

> **First line** – established and embedded policies and procedures
> **Second line** – direction and policy set at Group level to enforce consistency. Oversight functions sit at Group level
> **Third line** – independent challenge and assurance

STRONG RISK MANAGEMENT IS AT THE HEART OF OUR BUSINESS

The following pages summarise the principal risks and uncertainties which the Group faces together with relevant key controls and mitigating factors. The list does not constitute a list of all risks faced by the Group.

Risk	Accountable Executive	Key controls and mitigating factors	Risk movement
STRATEGIC			
Business strategy The Board develops the wrong business strategy or fails to implement its strategy effectively Impact Negative impact on long-term growth prospects	**Heejae Chae** Group Chief Executive	> Clear strategy in place which is reviewed by the Board on a regular basis > Progress against the strategy is monitored by senior management and the Board on an ongoing basis > Risks relating to the achievement of the Group's strategy are reviewed regularly by the Audit and Risk Committee and Board	
Acquisitions and disposals Poor decision making on organisational restructuring Impact Adversely affect the Group's results, weakening shareholder value	**Heejae Chae** Group Chief Executive	> Significant internal and external due diligence processes > Acquisitions and disposals approval by the Board > Monitoring of business portfolio and structure at senior management and Board level > Integration planning for acquisitions across Finance, Operations, HR and Commercial	
FINANCIAL			
Financial and treasury Unavailability and cost of funding and foreign exchange Impact The Company does not have access to sufficient funds to permit trading as a going concern	**Graham Hardcastle** Group Finance Director	> Access to committed facility of £40m with a £20m accordion > All treasury policies are approved at Board level > Committed facility providing sufficient headroom and capability > The Group uses simple products to hedge exposure with no speculative currency transactions	
Pensions Liabilities increase due to increasing life expectancy, inflation, poor performance in investments compounded by fluctuations in the discount rate Impact The pension liabilities and associated cash requirements have a material adverse impact on the Group's cash flows	**Graham Hardcastle** Group Finance Director	> No final salary pension schemes are open at the Group > The UK scheme has been closed to new members and future accruals since 2007 > Active and ongoing liability management programme, including long-term funding agreements > All asset investments are under the management of trusted, professional fund managers > The asset portfolio is diverse and spreads risk and return across multiple investment types and across various global territories	

Risk remains the same

Risk increases

Risk decreases

Risk	Accountable Executive	Key controls and mitigating factors	Risk movement
MARKET			
Customers Over-reliance on specific customers or markets Impact Places pressures on pricing, margins and profitability	**Heejae Chae** Group Chief Executive	> Diverse range of customers with no specific weight towards one customer > Our business strategy is tailored to reduce reliance on one particular market > Winning new long-term contracts in healthcare helps spread risk and encourage growth > Credit limits set based on Group policy, with limits monitored regularly and customers put on 'stop' as appropriate	Risk remains the same
OPERATIONS			
Raw material pricing Excessively high raw material prices Impact Reduced competitiveness as a result of reducing margins and profitability	**Chris Carter** Chief Operating Officer	> Global Supply Chain function in place with clear cost-reduction targets > Commodity prices are reviewed on a monthly basis by the supply chain team > Contracts with suppliers are being renegotiated to further reduce our exposure to price changes > Formula based on open book costing > Dual sourcing based on regional alternatives > Material substitution programme	Risk remains the same
Human Resources Failure to attract and retain people with the right virtues and talents to sustain and grow our business Impact > Inability to achieve our business objectives of sustainable growth > Loss of skills, knowledge and experience	**Clare Douglas** Group HR Director	> Global performance management system in place for the top 400 roles globally > Performance-related incentive schemes are in place across the business > Talent Management Programme conducted globally for top 300 roles and forms the basis of the Succession Planning Programme currently being implemented > Recruiting Excellence Programme embedded across the Group > Introduction of a Global Induction Programme giving employees required information for effective transition into the business	Risk decreases

Risk remains the same
Risk increases
Risk decreases

Risk	Accountable Executive	Key controls and mitigating factors	Risk movement
ICT systems and infrastructure ICT systems and infrastructure failure and/or interruption Impact Significant disruption to direct manufacturing and support processes	**Graham Hardcastle** Group Finance Director	> Group and site-based business continuity and disaster recovery processes in place > Annual test of disaster recovery for core systems > Multi-site and remote device back-up of electronic data > Fallover and standby solutions built into system architecture for core systems providing additional resilience > Security and segregation built into system architecture for e-commerce systems to ensure minimum exposure from transactions > We have implemented a rigorous IT governance model (covering IT Service Management and IT Portfolio Management), in line with industry best practice, to provide enhanced assurance for both our existing IT services and the delivery of new solutions	Risk remains the same
REGULATORY AND COMPLIANCE			
Product quality Products are not up to the required quality and health and safety standards Impact Poor financial performance due to customer returns, product liability claims, ultimately affecting customer trust in Scapa as a supplier	**Joe Davin** Group President, Healthcare **Kären Olson** Group President, Industrial	> Third party International Quality Systems accreditation: – Ashton, Valence, Ghislarengo and Renfrew are third party accredited to TS 16949 and ISO 9001. Ashton and Valence are also accredited to ISO 14001 – Dunstable, Inglewood, Knoxville and Windsor are accredited to ISO 13485 and ISO 9001 – Rorschach, Syracuse and Seoul are accredited to ISO 9001 > Internal quality audit processes are in place with issue resolution tracking > Known problems have been addressed with rigorous root cause analysis and corrective action to ensure that they do not reoccur > Customer quality requirements are clearly identified > In-process and final product quality checks are performed to ensure compliance > Inglewood, Knoxville and Renfrew are registered as medical device manufacturers under 21CFR820 with oversight from the US Food and Drug Administration (FDA) > Recall insurance is in place for Healthcare and Automotive	Risk remains the same

Risk remains the same

Risk increases

Risk decreases

Risk	Accountable Executive	Key controls and mitigating factors	Risk movement
Health & Safety Failure to ensure safe working practices Impact > Significant injury or loss of life > Reputational damage associated with accidents and injuries resulting in customer disassociation with Scapa	**Heejae Chae** Group Chief Executive	> Lost time injury frequency rate (LTIFR) of 1.6 compared with last year of 1.2 > We continue to develop our policies and training programmes in line with our risk profile > Our safety management system is continually being developed, added to and improved > We conduct regular audits and work with external accredited agencies to standards such as ISO 14001 and 18001 globally > We actively use our risk mapping mechanisms to influence our EHS capital expenditure to proactively manage our risks	Risk remains the same
Environment Failure to mitigate environmental impact Impact > Reputational damage > Financial loss associated with clean-up, fines and sanctions	**Chris Carter** Chief Operating Officer	> ISO 14001 in most sites, with a plan to certify the remaining significant sites over the next two years > Conduct regular internal reviews of environmental aspects and impacts > Training provided to site management and employees > Enforcement and surveillance visits by third parties	Risk remains the same

Risk remains the same

Risk increases

Risk decreases

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code (commonly referred to as the longer-term viability statement), the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years, which was selected for the following reasons:

> The Group's strategy of long-term profitable growth is set over a rolling three-year period
> A review of the current and future customer contracts has been undertaken and it is reasonable to conclude that given appropriate management these will continue throughout the period
> Business risks are reviewed at least annually and the Group manages a risk-based assurance programme which is set over a three-year period. This is consulted on with the business units and the Board on a regular basis and the Group believes that this enables assurances to be obtained on the systems of internal control in those areas which have been identified as barriers to achieving its strategic objectives

This has been further underpinned by the regular Board briefings provided by the Executive Directors as part of a robust reporting and business unit review framework. This process highlights business strategy risks and opportunities, which are considered within the Board's risk appetite framework.

PRINCIPAL RISKS

During 2015/16 the Board has continued to assess and monitor the principal risks of the business. This includes those risks (financial, operational and compliance) which would impact on the Group's strategy to achieve long-term profitable growth. The principal risks have been categorised into:

> Strategic
> Financial
> Market
> Operations
> Regulatory and compliance

The strategic risks that have been identified in the Annual Report and Accounts are specific to the Group and are a reflection of the importance that the Group places on its robust risk management programme, which is continually being reviewed.

More detail of the processes adopted are provided in the earlier part of this section of the report.

CURRENT POSITION AND PROSPECTS

The Directors confirm that they have a reasonable expectation, absent a major unforeseen event outside of the Group's control, that the Group will continue to operate and meet its liabilities as they fall due for the next three years.

The Directors' assessment has been made with reference to the Group's current position, prospects and Balance Sheet strength, the Group's strategy and the Group's principal risks and how these are managed, as detailed in the Strategic Report.

SCAPA HEALTHCARE
DELIVERING PROFITABLE SUSTAINABLE GROWTH THROUGH STRATEGIC BUSINESS PARTNERSHIPS

As the healthcare industry continues to deal with ever-changing demands and increasing costs, healthcare companies have responded by embracing the challenge, investing in innovation, strategic outsource partnerships and alliances.

Scapa Healthcare is a leading strategic outsource partner of choice in the Advanced Wound Care, Consumer Wellness, Medical Device Fixation and Drug Delivery markets. Through innovation, expertise and alignment of core values we are helping leading healthcare companies to meet these challenges and deliver world class products to their customers.

REVENUE

£93.3M

2015: £73.8M

TRADING PROFIT

£14.0M

2015: £11.1M

Healthcare has delivered another successful year of growth. Our success is dependent upon having a deep understanding of the customers in the healthcare markets we serve. We continue to strive to become the strategic outsource partner of choice and we will continue to invest and innovate to fulfill customer needs and help solve their problems.

JOE DAVIN
GROUP PRESIDENT, HEALTHCARE

"The outsourcing trend in the healthcare industry continues to drive our growth and future opportunities."

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.

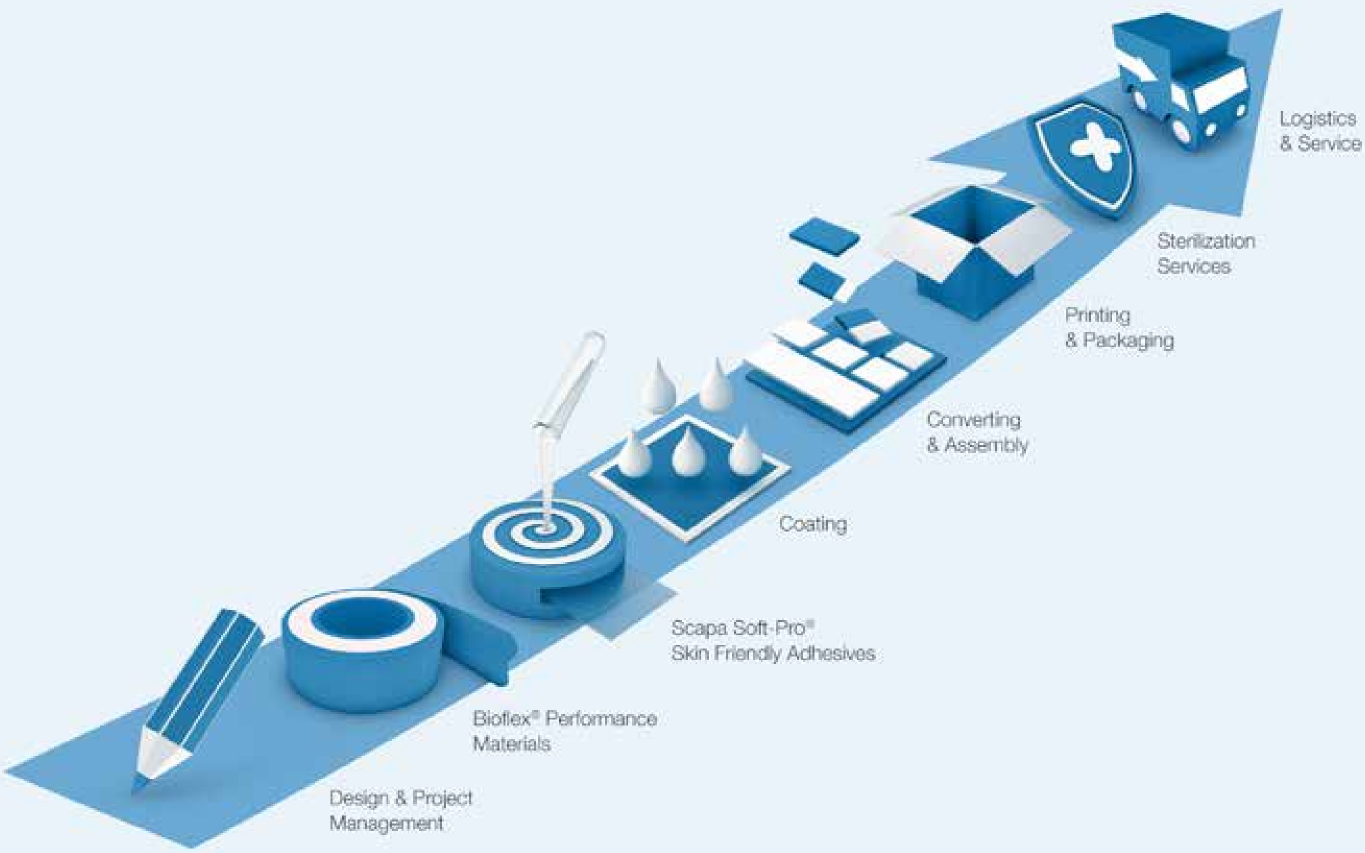
STRATEGY AND BUSINESS MODEL
Scapa Healthcare continues to focus on being the strategic outsource partner of choice for skin friendly turn-key solutions within the four global sectors in which we operate; Advanced Wound Care, Consumer Wellness, Medical Device Fixation and Drug Delivery.

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.

OUR BUSINESS MODEL



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

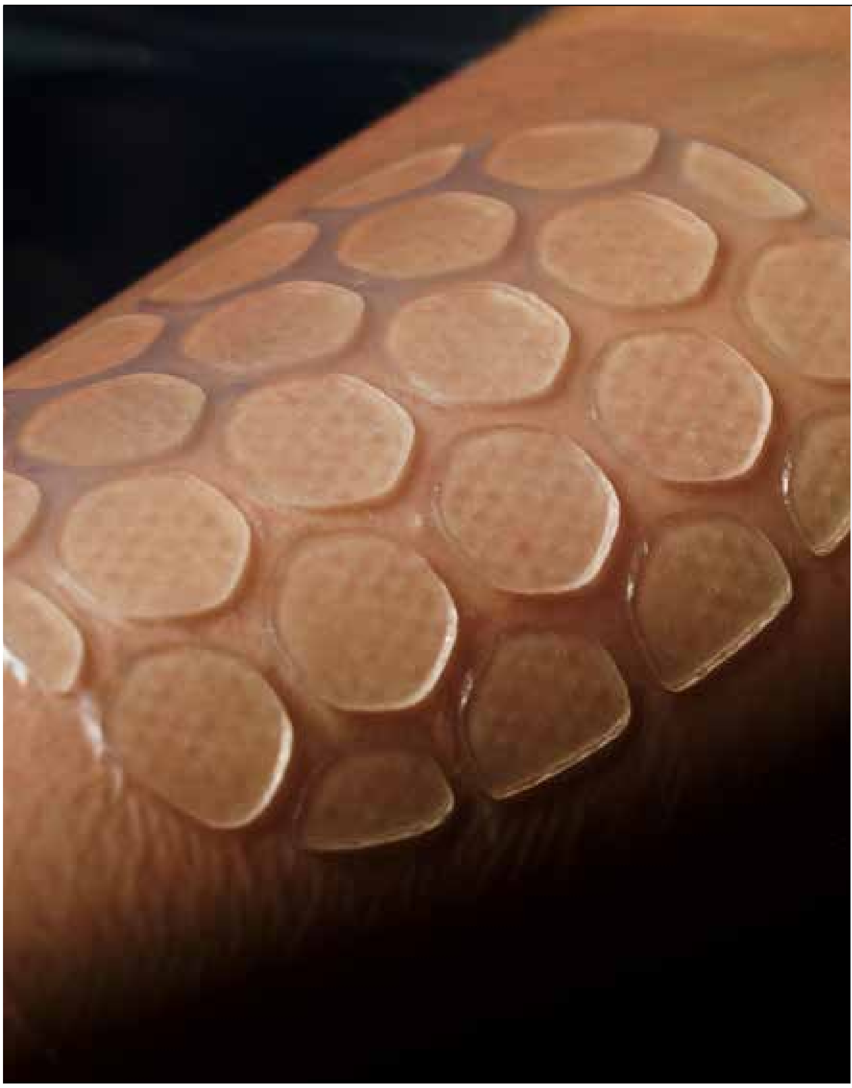
Scapa Healthcare made excellent progress this year, increasing revenue by 19.2% at constant exchange rates in line with guidance at the interim results. The continued success of one of our major wound care customer's products, in addition to new product launches in the consumer market, drove positive 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.

CASE STUDY FIRST WATER DELIVERING PROFITABLE GROWTH FOR SCAPA HEALTHCARE



For our partners, who are concerned about commoditisation of their product portfolio and being first to market, our turn-key capabilities offer aesthetically unique and patent-protected designs, encouraging them to invest their marketing, sales and distribution budgets into our products.

Showcasing First Water's value in enhancing Scapa's core competencies and competitive advantage in delivering rapid speed to market, development projects were grounded in product design to secure long-term value.

CHALLENGE

A global wound care company asked First Water to help develop a product designed to reduce the risk of post-surgical wound infection.

OUTCOME

Two platform designs, based on First Water's hydrogel technology, were presented to the company. These advanced concepts were protected by First Water patent filings. First Water's history of investing in targeted pre-development of its technologies allowed it to fast track the concepts into regulated products. The result was the creation of two independent product lines, serving the different needs of acute and chronic wounds. An immovable launch date was set for September 2015. The aggressive timelines were met, and products are currently being rolled out internationally.

SCAPA INDUSTRIAL
OUR STRATEGY AND BUSINESS MODEL DRIVES CUSTOMER FOCUS AND IMPROVED RETURNS

The Industrial business operates across a wide range of market segments and geographies and continues to adapt to address the nature and complexity of the supply chain in which we operate.

Through continued focus on ROCE, capital allocation and asset optimisation, we look to continue the margin progression which has seen consecutive increases in the last six years.

REVENUE
£153.4M
2015: £162.2M

TRADING PROFIT
£10.7M
2015: £10.0M

Industrial delivered a year that was mixed; revenue was suppressed by challenging macro-economic conditions in some of our markets but our profits at constant exchange increased by 16.3% and we delivered record margins as we continued to execute on our strategy to drive ROCE.

KÄREN OLSON
GROUP PRESIDENT, INDUSTRIAL

"The Industrial business retains its potential to grow and deliver double-digit margins by building on the successes to date and further optimising its asset base."

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 to 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 an example 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. 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.

OUR BUSINESS MODEL

FOCUSED COMMERCIAL STRATEGY

- Market focus
- Customer segmentation
- Pricing optimisation
- Product range

SEGREGATE INDUSTRIAL ASSETS

- BU based structure
- Separate operational infrastructure
- Decentralised corporate structure
- Evolve to separate legal entity

CREATE COATING HUBS

- Create coating technology hubs
- Use existing assets and transfer products
- Optimise marginal profit to load existing assets

CREATE CONVERTING SPOKES

- Customer centric
- Mobile
- Flexible
- Lower investment

ACQUISITION STRATEGY

- Improve productivity and cost
- Enable footprint optimisation
- Mitigate capital investment
- Provide on-boarding opportunity

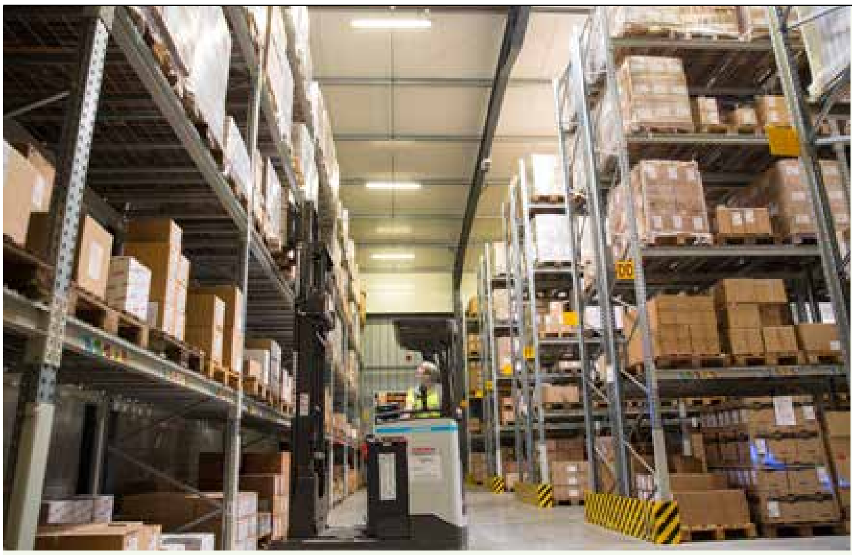
ROADMAP TO DOUBLE-DIGIT MARGINS

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.

CASE STUDY CONSOLIDATION OF TWO FACILITIES TO ENHANCE OUR RETURN ON CAPITAL EMPLOYED



For many years our French business has operated out of two plants; within the main coating plant at Branly and the conversion facility at Palissy, which were approximately 10km apart. The solvent coating facility was situated in the middle of a residential area in buildings dating back to the 1930s and while the site was owned it required ongoing maintenance and capital investment. Palissy was a more modern site, better situated but lacked space and capacity. While the opportunity to consolidate the plants was obvious the risk attached to executing the process and the cost of doing so remained significant barriers.

Given the location the valuation of Branly as an Industrial site was limited. It took the French team eighteen months working with the local planning authorities and the town hall to get the site re-zoned and planning permission granted for residential developments. Following this process, the valuation of the land was significantly increased and the plot presold, effectively making the process of consolidating the two facilities self-funding and removing the financial risk.

Having agreed the sale of this site, we set about transferring the coating lines to our Palissy slitting facility. This required us to transfer not only the lines themselves, but also the supporting mixing, solvent handling and utilities equipment. New buildings were erected at Palissy to increase the warehousing and production floor space. During the moving process the coating lines were upgraded to accommodate a wider range of our customer needs and to further increase our capacity.

Now that all of our equipment is based on one site, we enjoy significantly better efficiencies, improved capabilities and a reduced environmental impact. The transfer project was completed safely, on time and to budget, without any effect on customer service.

SUCCESS
This new modern facility enables us to grow while providing a host of benefits, including:

> Increased efficiency; with equipment consolidation
> Additional capability; with newly designed and enhanced equipment
> Improved ROCE; with new plant layout and equipment utilisation
> New and improved safety and environmental features; with state-of-the-art chemical handling

RECORD PROFIT AND SUSTAINED VALUE CREATION

"2016 was another excellent year; the Group achieved solid growth in revenues, with record trading profits and margins."

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).

Cash flow	**2016 £m**	2015 £m
Cash generated from operations	**19.0**	18.3
Cash outflow on exceptionals	**(2.5)**	(0.7)
Net capital expenditure	**(9.7)**	(7.5)
Net tax and interest	**(3.6)**	(4.5)
Free cash flow	**3.2**	5.6
Dividend paid	**(2.2)**	(1.5)
Exchange and other movements	**(0.2)**	(1.9)
Increase in net cash	**0.8**	2.2
Opening net (debt)/cash	**(3.4)**	5.4
Acquisition – borrowings acquired	**–**	(2.2)
Acquisition – consideration	**–**	(8.8)
Closing net debt	**(2.6)**	(3.4)

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.

	2016 £m	2015 £m
Trading profit	**21.3**	18.6
Depreciation	**5.2**	5.2
EBITDA	**26.5**	23.8
Net debt to EBITDA	**0.10x**	0.14x

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).

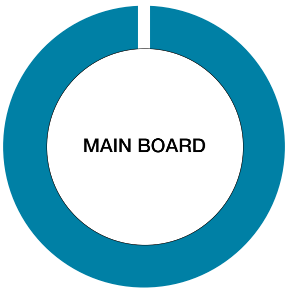
RISK MANAGEMENT AND THE YEAR AHEAD

Risk is managed closely and is spread across our businesses and managed to individual materiality. Our key risks have been referenced in this annual report primarily on pages 12 to 18, in the Chief Executive's review and in the Audit and Risk Committee report on pages 45 to 48. 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 as described on page 66 and has been able to conclude the review satisfactorily.

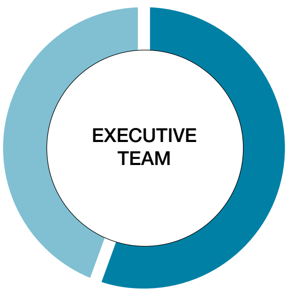
G S HARDCASTLE
Group Finance Director
24 May 2016

STRENGTHENING OUR CULTURE, BY ENABLING CONTINUED TALENT DEVELOPMENT

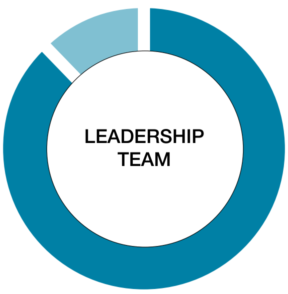
GENDER RATIO



- Male **7**
- Female 0



- Male **5**
- Female 4



- Male **29**
- Female 5

- Male **917**
- Female 422

> "Focusing on developing our talent within the Group is essential to achieving our long-term strategic goals."

At Scapa, we believe our success goes hand-in-hand with the development of our employees and we continue to focus on creating an engaging and developmental place to work in order to achieve our strategic goals. With over 1,300 employees in 20 locations globally, we leverage the advantage of our vast experience, talent, skills and diversity across the Group to drive our plans for growth.

SETTING UP FOR SUCCESS

We started the year by reorganising into two distinct businesses: Healthcare and Industrial, supported by a strategic corporate function. Each business has a full functional structure that enables it to operate independently and, moreover, have better visibility and accountability of its operations, while working in close collaboration with the corporate function that has the responsibility of delivering the overall Group strategy.

EMBEDDING OUR VALUE CREATION CULTURE

We continue to implement our strategic plans to drive a culture of creating real value for our customers. Our focus this year has been on embedding our corporate principles throughout the Company, ensuring our people demonstrate the right skills and knowledge and promote the right values. To achieve this goal, we have continued to refine and embed our Recruiting Excellence Programme which has allowed us to grow our team with talented people who believe in our vision of success. We also launched our new Global Induction Programme, to facilitate the rapid integration of new employees into our culture and ways of working with standard global materials and processes.

In addition, we delivered a learning framework for our leaders, focusing on key competencies of our culture agenda, including leadership skills, driving an entrepreneurial culture, vision setting, attracting and retaining talent, strategic decision-making and induction.

We also offered our wider population a range of learning opportunities in company culture, standards of behaviour, managing change and achieving higher performance.

Our overall efforts this year accounted for over 2,200 training hours delivered to leaders and employees from all functions, levels and across all locations globally.

Furthermore, in line with our corporate principles, we reviewed our Code of Conduct to ensure that employees have access to proper guidance and support to face the challenges of the global market-place, including a dedicated section on modern day slavery in order to ensure that the Company is fully compliant throughout all levels, functions and locations. The launch was supported by the Board and driven by a global launch campaign designed to position the programme and engage all employees.

All employees received on-site workshop training sessions designed to strengthen understanding and encourage dialogue through practical cases.

We also reviewed and relaunched our Open Door Policy (formerly Whistleblowing Policy) to encourage employees to report concerns of any wrongdoing or risks.

GROWING OUR TALENT

Focusing on developing talent within the Group is essential to achieving our long-term strategic goals. Our activity throughout the year has strengthened the foundations of providing a continuous learning environment.

To drive organisational bench strength, we reviewed our Talent Management Programme and refined our definition of talent to include potential as a key element of learning agility, in order to evaluate an individual's ability to work effectively with others, deliver results, manage complexity and deal with change. Through the programme we achieved coverage of 100% of our leadership population and 8% of our global population.

OUR EXECUTIVE TEAM

The Executive Team attending the opening of a new manufacturing facility in Valence, France in April 2016.

From left to right:

Sayoung Jung
Director of Strategy and Corporate Development

Chris Carter
Chief Operating Officer

Kären Olson
Group President, Industrial

Graham Hardcastle
Group Finance Director

Rebecca Smith
Group General Counsel and Company Secretary

Heejae Chae
Group Chief Executive

Clare Douglas
Group HR Director

Joe Davin
Group President, Healthcare

A full biography of the Executive Team members can be found on our website: www.scapa.com

We also defined a talent development structure that categorises our learning offering into three distinct levels to meet a range of business requirements. In the first level, we offer our top talent a range of internal assignments that allow for cross-functional and cross-cultural exposure and learning. The second level includes the Harvard ManageMentor® programme and a stretch assignment programme. Finally, the third level includes our Executive Mentoring Programme that has been refined to optimise our matching process between business priorities and individual needs.

The structure will be continuously refined to ensure that growth opportunities develop with the requirements of both the business and our employees.

CREATING VALUE IN OUR COMMUNITIES

In line with our commitment to supporting local areas, we continue to seek opportunities where the Group can add value to our communities.

Scapa participated in a scheme run by the Manchester Fab Lab to introduce cutting edge, 3D printing technology into a local school. The Fab Lab is part of a global network of open access manufacturing facilities founded by the Center for Bits and Atoms at the Massachusetts Institute of Technology and provides education and access to the latest digital manufacturing equipment for local communities.

Scapa sponsored the scheme which allowed pupils to build two new 3D printers, providing new learning about manufacturing technology and promoting teamwork and innovation.

Our partnership with the Hallé Orchestra and the Bridgewater Hall continued this year, and Scapa became a Major Sponsor for the season. The Hallé continues to provide valuable programmes to local, national and international communities.

Our community investment framework is enhanced with activity across our global sites. For example, in Canada, we continue to support the Renfrew Victoria Hospital Foundation, which was launched last year. Throughout the year, employees at our site in Renfrew have made significant contributions through fundraising activities, in addition to Company donations. The fundraising programme was initially planned as a five-year commitment. We are currently on track to meet our commitment after three years.

We also continue to support The Donkey Sanctuary in Abbey Hey Gorton, which provides therapy and activities for children and young people from the local community with additional needs and disabilities. The organisation works with over 100 volunteers dedicating time to local schools and caring for 21 donkeys. As part of our annual Christmas charity appeal, we donated over 150 presents for the children who are supported by the organisation from employees and through fundraising activities.

ENVIRONMENT, HEALTH AND SAFETY

Scapa's overriding commitment in the workplace continues to be the health, safety and welfare of its employees and all those who visit the Company's operations. This commitment extends to those who carry out work on our behalf.

Identifying and complying with applicable legislation underpins all our health and safety activities and improvement initiatives.

The Board provides environmental, health and safety (EHS) leadership and the Chief Executive has primary responsibility for setting the principal objectives within which the detailed policies operate. The Chief Operating Officer, supported by the Group EH&S Director, ensures adequate resource is available to successfully deploy and measure operational health, safety and environmental improvement plans.

PERFORMANCE

Over the last 12 months we have focused our resource and initiatives on delivering improvements in two key areas:

1. Increasing the level of EHS involvement across the entire organisation
2. Improving the level of accountability and expectation for continuous improvement in health and safety

Although improvement has been achieved and sustained, we believe the EHS continuous improvement cycle is a journey. Initiatives to improve involvement and accountability will continue over the foreseeable future to help us to further reduce our accident potential.

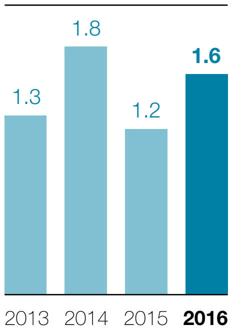
Headline achievements

> Introduced our Stop, Think & Ask programme and identified over 6,000 safety opportunities. The programme is being further embedded throughout the Group
> Completed over 3,500 corrective actions
> Developed and deployed our Decision Rights for Safety programme
> Achieved two years without a Lost Time Accident at our Renfrew operations and four years at our Korea operations
> Certified to ISO 50001 at our Ashton and Dunstable locations enabling Scapa UK to comply with the Energy Savings Opportunity Scheme
> Continued with the recruitment and development of key EHS personnel to support our philosophy of EHS continuous improvement, involvement and accountability
> Invested over £400,000 in EHS improvements, with plans for a further £350,000 over the next 16 months
> In addition to the monthly EHS reviews, we have embedded the Chief Operating Officer's six-monthly EHS review process
> Completed four governance and compliance audits against the Scapa Safety Management & Audit System

SAFETY PERFORMANCE 2015/2016

LTIFR (per 200,000)

1.6



Unfortunately our Lost Time Injury Frequency Rate has increased when compared with the prior year, although the severity rate has remained static. We recognise that accident performance alone does not provide a complete picture of our health and safety performance. Our increased understanding of our health and safety risk profile, coupled with the proactive initiatives and programmes we have implemented, will ensure a sustained reduction in our lost time injury occurrence.

ENVIRONMENT

Scapa recognises the importance of world class environmental stewardship. To help us deliver on this expectation, we apply a structured approach to assessing, maintaining and reducing our environmental impact by:

> implementing and maintaining environmental and energy management systems based on international standards
> measuring and monitoring consumption and emissions, and setting targets to improve performance
> conducting environmental impact assessments and developing site improvement plans
> providing training to employees, and engaging with customers and suppliers to raise environmental awareness
> identifying and complying with all relevant environmental laws and regulation

Given the diversity of Scapa's international operations, local management drives environmental performance in accordance with Group policy. Specific site-level objectives are established to ensure compliance with local legislative and external management system requirements.

Scapa uses a variety of indicators to monitor environmental performance, but the following core impacts are identified for the Group as a whole:

> Greenhouse gas emissions from energy use, including electricity, natural gas and heating fuel
> Consumption of raw materials
> Generation and disposal of waste

The following assumptions, methodology, definitions and data validation processes have been used to report the Group's key environmental performance indicators in 2015/16. The reported data complies with the Companies Act for the mandatory reporting of greenhouse gases:

> Boundary scope: Data from all locations over which the Company has operational control is collected and measured
> Primary data sources: These include billing, invoices and other systems provided by the supplier of the energy to communicate energy consumption
> Secondary data sources: These include the Company's internal systems used to record and report the above consumption data
> Internal data validation: The process used to review and compare primary data with secondary data
> Conversion factors: The 2013 Government GHG Conversion Factors for Company Reporting, published by the UK Department for Environment, Food & Rural Affairs (DEFRA), are used when converting gross emissions. The applicable country conversion factors published in this guidance have been applied to operations outside of the UK
> Intensity metric: Total carbon emissions per £m of revenue are used to calculate the Company's intensity metric

ENVIRONMENTAL PERFORMANCE

Tonnes of CO_2e (gross)	2016	2015
Scope 1	**14,209**	13,407
Scope 2	**19,915**	18,715
Total gross emissions	**34,124**	32,122
Total carbon emissions per £m revenue	**138**	136

OUTLOOK

To support Scapa's philosophy of continuous improvement the following headline objectives have been established for 2016/17:

> Execute in full, capital and revenue improvement projects valued at £0.4m
> Achieve certification to ISO 50001 at our UK First Water operation
> Evaluate the SHARP/VPP programme across all of our US locations
> Reduce our accident rate by a minimum of 25% against prior year
> Achieve a corrective action closure rate of 97%
> Complete seven governance and compliance audits
> Deliver site level SHIPs to 100% adherence to plan
> Embed the Scapa physical systems and compliance audit

SUPPLY CHAIN CORPORATE RESPONSIBILITY

We have a robust framework of corporate responsibility policies, including our Human Rights Policy, our Code of Conduct and sustainability approach.

Scapa is investing time and resources in a project called 'SPIRE' (Supplier Performance Improvement and Requirements Evaluation) which will supplement Scapa's existing procedures and best practice methods of supplier evaluation. By the roll-out of SPIRE, the global procurement and quality teams will adopt a consistent, robust and interactive supplier evaluation, which will include detailed due diligence and supplier certification in respect of many compliance issues including slavery and human trafficking.

HUMAN RIGHTS

We define human rights as basic rights that allow individuals the freedom to lead a dignified life, free from fear or want, and free to express independent beliefs.

We acknowledge the responsibility of businesses to respect human rights, by acting with due diligence to avoid infringing on the rights of others and to address any adverse impacts in which they are involved, in line with the UN Guiding Principles on Business and Human Rights (the Ruggie Framework).

Our aim is to ensure that we adhere to international human rights standards, both through our own actions and by association with business partners and suppliers, by providing a framework of fundamental principles of human rights by which Scapa will be guided in the conduct of its business. Scapa sources materials (including fabrics, paper, rubber, films and chemicals) from a wide variety of suppliers around the world that range from large international organisations to specialist local companies.

Scapa has made a disclosure in accordance with the UK Modern Slavery Act 2015 which incorporates the requirements under the California Transparency in Supply Chains Act 2010. This can be found on the Scapa Group website at www.scapa.com/en/Modern Slavery Act.

CODE OF CONDUCT AND SUSTAINABILITY APPROACH

Scapa aims to act with integrity and professionalism with all suppliers and to support them to help achieve a responsible and sustainable approach across the supply chain. We recognise that some smaller suppliers may find it challenging to adopt the practices expected. In such cases, Scapa will adopt a risk-based approach to ensure that their contribution to its responsibility and sustainability agenda progresses in line with their capabilities.

Our supply chain corporate responsibility policy statement is founded upon this belief. For suppliers, Scapa will look to ensure that:

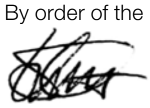
> suppliers' products comply with both their own product legislation and that of any countries for which the product is ultimately destined
> human rights responsibilities in line with the UN Ruggie Framework are conformed to
> employee working conditions of our suppliers are safe and hygienic, with working hours that are not excessive, and at least the legal minimum wage is paid for the location
> employees are not subject to harassment or discrimination
> materials used during the manufacturing process do not create any adverse environmental impacts
> materials purchased by suppliers are sourced from responsible producers, with appropriate traceability systems
> products supplied to Scapa do not lead to any adverse impacts on the health of any users in the supply chain
> consideration is given to the environmental impacts of the products supplied (including packaging and transport to Scapa manufacturing locations)
> suppliers have ethical business practices in place, including those relating to the avoidance of bribery or corruption

For supply chain management, Scapa will ensure that:

> procurement teams segment their suppliers based on spend and by responsibility and sustainability risk
> certain suppliers receive, complete and return the self-assessment responsibility and sustainability questionnaire, together with copies of Scapa's Code of Conduct and anti-bribery guidance
> responsibility and sustainability development plans will be agreed with larger suppliers, identifying mutual benefits
> training on responsibility and sustainability matters will be provided to each procurement team

This Strategic Report is approved.

By order of the Board



R L SMITH
Company Secretary
24 May 2016

COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

"We are committed to ensuring values and behaviours across the business are consistent with our high governance standards."

The statement of corporate governance practices set out on pages 36 to 68, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of Scapa Group plc.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Scapa Group plc's Corporate Governance Report for the year ended 31 March 2016. This report seeks to provide you with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the UK Corporate Governance Code ('the Code').

The Board remains committed to maintaining the highest standards of corporate governance throughout the Group. The Board supports the principles laid down in the Code and continues to review its systems, policies and procedures that support the Group's sustainability and governance practices. We are committed to ensuring that values and behaviours across the business are consistent with our high governance standards. We have an open and transparent culture which promotes constructive challenge and support in the Board and throughout the Group.

We acknowledge that good governance is fundamental to the success of the Group and it is woven into the strategy and decision-making processes throughout the business. The tone from the top is cascaded from the Board to the Executive Team and out to the business.

We routinely assess the Board to ensure that we have a diverse balance of skills, experience and knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and we are focused on the ways we attract, assess and develop Board and Executive Team talent. The Board embraces widening diversity in terms of background, ethnicity, age, experience, gender and perspective and it ensures that all appointments are made on merit alone. I am delighted to report that we further strengthened the Board through the appointment of Graham Hardcastle as Executive Director after an extensive search following Paul Edwards' notice of retirement. Paul retired from our Board on 30 April 2016, at which time Graham stepped into the role of Group Finance Director. Paul has been instrumental in leading the Group through a period of growth and we wish him well for the future. 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. Graham was Group Finance Director at Bridon International and prior to that he held a number of senior finance positions at Smith & Nephew plc and Smiths Group plc.

Since the year end, we have also appointed David Blackwood as an independent Non-Executive Director. David was previously Group Finance Director of Synthomer plc, a position from which he retired in May 2015, and prior to that was Group Treasurer at Imperial Chemical Industries plc. David joined the Board on 1 May 2016 and will chair the Audit and Risk Committee from 1 June 2016. Mike Buzzacott will retire from the Board on 31 May 2016.

As in prior years, we undertook a rigorous evaluation of the Board and each of its Committees. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee, and that all Directors properly discharge their duties. During the year, the Board took the decision that all Directors be proposed for re-election at each Annual General Meeting of the Company. Richard Perry, Senior Independent Director, has been in his role since May 2006 and has indicated a willingness to remain on the Board for a further term subject to shareholder approval. Richard is a highly valued member of the Board and we wholeheartedly support his continued tenure.

Scapa is proud of the high standards of corporate governance that it demands of itself and its people. Before introducing a new Long-Term Incentive Plan for the Executive Directors and Executive Team, the Chairman of the Remuneration Committee and the Company Secretary liaised with the top ten shareholders to canvass views, which were taken into account in finalising the structure of the Value Creation Plan that was approved by shareholders in General Meeting on 16 November 2015. During the year, I met with several major investors to discuss Board composition, remuneration, corporate governance and shareholder relations. I am pleased to report that feedback from these shareholder meetings, which are held separately from the investor relations meetings conducted by the Executive Directors, was positive and supportive of the business and management.

Lastly, I should like to encourage all shareholders to attend the Annual General Meeting on 19 July 2016, details of which are enclosed with this report.

James A S Wallace

J A S WALLACE
Chairman
24 May 2016

THE RIGHT MIX OF SKILLS AND EXPERIENCE

J A S WALLACE
Chairman

Appointment to the Board
James Wallace joined the Board in August 2007 and became Chairman in October 2007.

Experience
An accountant by qualification, James spent the majority of his executive career at Pifco Holdings PLC until 2001. James has held various Non-Executive Director positions, including Chairman of Bodycote plc from January 2002 until April 2008 and Non-Executive Director of Manchester Airport Holdings Ltd from January 2008 until July 2015, also chairing its Audit Committee from June 2011 until July 2015.

Committee membership
Nominations Committee (Chairman)
Remuneration Committee
Audit and Risk Committee

H R CHAE
Group Chief Executive

Appointment to the Board
Heejae Chae joined the Board as Executive Director in September 2009 and subsequently became Group Chief Executive in November 2009.

Experience
Prior to joining Scapa, Heejae was Group Chief Executive of Volex Group plc. He was previously the Group General Manager, Radio Frequency Worldwide, for Amphenol Corporation. He spent the early part of his career in finance at The Blackstone Group and Credit Suisse First Boston before moving into industry. Heejae is currently a Non-Executive Director of the Hallé Concerts Society.

G S HARDCASTLE
Group Finance Director

Appointment to the Board
Graham Hardcastle joined the Board in February 2016 as an Executive Director and assumed the role of Group Finance Director on 1 May 2016.

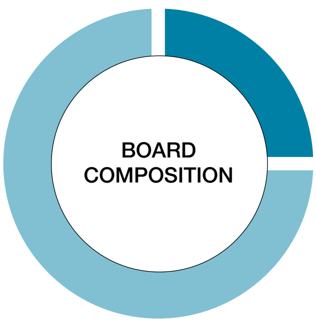
Experience
Graham is a qualified Chartered Accountant. Prior to joining Scapa, Graham was Group Finance Director at Bridon International and has held a number of senior finance positions at Smith & Nephew plc and Smiths Group plc.

R J PERRY
Non-Executive Director

Appointment to the Board
Richard Perry joined the Scapa Board in June 2005 and was appointed Senior Independent Director in July 2006.

Experience
Richard was Group Finance Director at Fenner plc from 1994 until his retirement in March 2015. He was formerly a senior audit partner with Price Waterhouse.

Committee membership
Audit and Risk Committee
Nominations Committee
Remuneration Committee



Executive **2**
Non-Executive **5**

LENGTH OF TENURE OF DIRECTORS

Directors	No.
Less than one year	2
One to three years	1
Three to six years	–
More than six years	4

M C BUZZACOTT
Non-Executive Director

Appointment to the Board
Mike Buzzacott joined the Board in March 2008.

Experience
Mike spent 35 years with BP, holding senior roles in both Finance and the Chemicals business, before retiring as Group Vice President Petrochemicals in 2004. Mike has extensive experience of the global chemicals industry. He is currently Non-Executive Director at Genus PLC and a former Director of Croda International Plc and Rexam PLC. Mike is a Chartered Certified Accountant.

Committee membership
Audit and Risk Committee (Chairman)
Nominations Committee
Remuneration Committee

M T SAWKINS
Non-Executive Director

Appointment to the Board
Martin Sawkins joined the Board in January 2015.

Experience
Martin is currently a Non-Executive Director for Wincanton plc having been appointed in 2012. Martin was Group HR Director of Rentokil Initial Plc from 2008 until his retirement in December 2015. He has operated within both the plc and private equity environment and is a former HR Director of HomeServe plc, The AA Ltd and Centrica Home and Road Services. Prior to this Martin held a number of senior positions in HR and Operations after graduating with a BSc (Hons) in Physics from Southampton University.

Committee membership
Remuneration Committee (Chairman)
Audit and Risk Committee
Nominations Committee

D C BLACKWOOD
Non-Executive Director

Appointment to the Board
David Blackwood joined the Scapa Board on 1 May 2016.

Experience
David is currently a Non-Executive Director of Dignity Plc and was previously Group Finance Director of Synthomer plc, a position from which he retired in May 2015. Prior to that, he was Group Treasurer at Imperial Chemical Industries plc ('ICI') and held a number of senior positions with ICI over a period of 22 years. He is a Chartered Accountant and a Fellow of the Association of Corporate Treasurers.

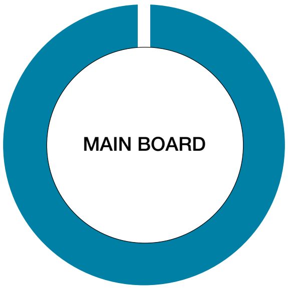
Committee membership
Audit and Risk Committee
Nominations Committee
Remuneration Committee

R L SMITH
Group General Counsel and Company Secretary

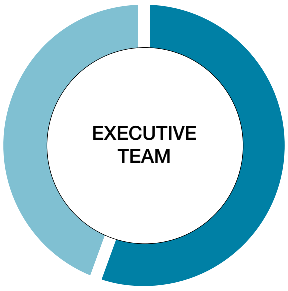
Appointment
Rebecca Smith joined Scapa in 2012 as Group General Counsel and Company Secretary.

Experience
Rebecca is a UK qualified solicitor and spent the early part of her career as a solicitor at a leading UK law firm, before moving into industry. Rebecca has a background in international corporate and commercial law and business, including six years with an international technology commercialisation business. Prior to joining Scapa, Rebecca was Group Legal Counsel and Company Secretary at K3 Business Technology PLC.

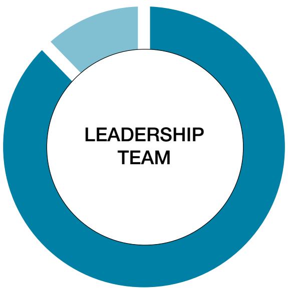
GENDER RATIO



- Male 7
- Female 0



- Male 5
- Female 4



- Male 29
- Female 5

- Male 917
- Female 422

BOARD COMMITTEES

Nominations Committee

The Nominations Committee is responsible for Board recruitment and succession planning, to ensure that the right skill sets are present in the Boardroom.

Remuneration Committee

The Remuneration Committee is responsible for determining all elements of remuneration for the Executive Directors and for reviewing the appropriateness and relevance of the Group's remuneration policy.

Audit and Risk Committee

The Audit and Risk Committee's main responsibilities are to monitor the integrity of the Group's financial statements, to review internal and external audit activity and to monitor the effectiveness of risk management and internal controls.

Compliance statement

A detailed review of the Company's compliance with the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in June 2014 ('the Code') has been undertaken. The review took into account the FRC Guidance on Board Effectiveness issued in March 2011, the FRC Guidance on Audit Committees issued in September 2012 and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The Company has complied with all relevant provisions of the Code throughout the year ended 31 March 2016 and through to the date of this report. The Group's internal controls are summarised on page 44.

LEADERSHIP

The role of the Board

The Board is responsible for the long-term success of the Group and is ultimately accountable for the Group's strategy, risk management and performance. The Board's primary roles are to provide entrepreneurial leadership to the Group within a framework of prudent and effective control which enables risk to be assessed and managed, and to set the Group's strategic objectives and to ensure that the necessary resources are made available so that those objectives can be met. The Board also sets the Group's values and standards and is responsible for ensuring that its obligations to its shareholders and other stakeholders, including employees, suppliers, customers and the community, are understood and met.

The Board comprises two Executive Directors, a Non-Executive Chairman and three Non-Executive Directors. During the Group Finance Director's handover period from Paul Edwards to Graham Hardcastle between 1 February and 30 April 2016, the Board had three Executive Directors. The names, biographical details and Committee memberships of the current Board members are set out on pages 38 and 39 of this report.

Division of responsibilities of the Chairman and Chief Executive

There is a clear division of responsibilities between the Chairman and the Chief Executive. Each role has its own formal written description of specific responsibilities.

The Chairman's principal responsibility is to lead the Board in the determination of its strategy and the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness by facilitating full and constructive contributions to the development and determination of the Group's strategy and its overall commercial objectives from each member of the Board. The Chairman is responsible for promoting the highest standards of integrity, probity and corporate governance throughout the Group. The Chairman manages the relationship with shareholders in relation to governance matters and regularly considers the composition and skill set of the Board through evaluation. The Chairman sets the Board agenda and, with the Company Secretary, ensures that the Directors receive accurate, clear, comprehensive and timely information so that the Board is properly informed prior to each meeting in order that there can be appropriately thorough consideration and debate of the issues at Board and Committee meetings.

The Chief Executive is directly responsible for all executive management matters affecting the Group. His principal responsibility is ensuring achievement of the agreed strategic objectives and leadership of the business on a day-to-day basis. The Chief Executive is accountable to the Board for the financial and operational performance of the Group. The management structure of the business under the Chief Executive's leadership is set out below.

The role of the Non-Executive Directors
The Non-Executive Directors bring independence and a wide range of experience to the Board. Their role is to help develop strategy and to promote constructive debate and challenge in Board discussions. Richard Perry is currently Senior Independent Director. The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors as necessary, as well as carrying out the evaluation of the Chairman. He also acts as a line of contact for shareholders if they have concerns which are not appropriate for discussions through the Chairman, Chief Executive or Group Finance Director.

The role of the Company Secretary
The Company Secretary advises the Board through the Chairman on all governance matters. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. In accordance with the Company's Articles of Association and the schedule of matters reserved for the Board, the appointment and removal of the Company Secretary is a matter for the whole Board.

Operation of the Board
The Board held six formal meetings during the fiscal year 2016 and there were seven telephone update calls and ad hoc conference calls during the year to deal with matters as required. Attendance at each meeting is set out in the table on page 42. The Company Secretary was in attendance at all Board meetings as well as at all telephone update and conference calls. The Board held its annual strategy meeting at the Group's Valence facility in September 2015.

The provision of relevant, up-to-date information is fundamental to the effective leadership delivered by the Board. Reports from the Executive Directors, which focus on major operational matters, are circulated in advance of each Board meeting and focus on major operational matters. Reports are also produced by the Chief Operating Officer and the Company Secretary on key business areas for each Board meeting. To ensure that the Directors are kept fully informed on the status of the business, presentations from across the Group's divisions and functions are made to the Board on a regular basis. During the year, overviews were presented by each member of the Executive Team. The Board also received presentations from senior managers on Commercial and EHS matters as well as risks affecting the Group and met with the Group's insurance and pensions advisers. Other business undertaken by the Board during the year include: review of the culture programme implemented throughout the Group to promote entrepreneurship and value creation; approval of a payment of £2.0m by way of contingent consideration in respect of First Water Limited; approval of the annual budget; review of governance issues affecting the Company; review of the corporate structure of the Group; review of the manufacturing footprint of the Group; succession planning; and assessment of the corporate risk map. Where appropriate, certain matters were delegated to a Committee of the Board.

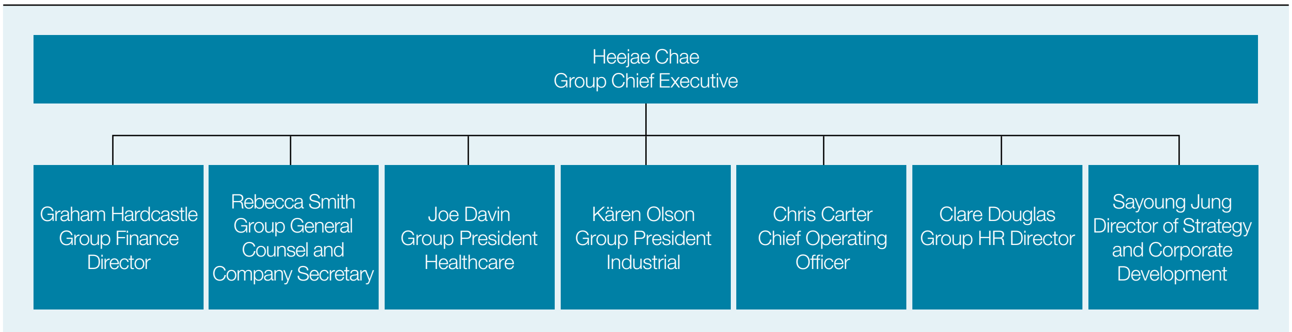
Governance across the Group
All areas of the Group are required to meet high standards of governance and controls. The Group's operations are reviewed by the Executive Team through regular reports, meetings and presentations. The Group Risk & Assurance team performs regular audits of governance and control standards, reporting its findings to the Audit and Risk Committee of the Board.

BOARD COMMITTEES
The Board has delegated certain responsibilities to the following Board Committees:

> the Audit and Risk Committee
> the Nominations Committee
> the Remuneration Committee

EXECUTIVE TEAM STRUCTURE
The Group Chief Executive is supported by the Group's Executive Team, whose structure is set out below:

EXECUTIVE TEAM STRUCTURE



The reports of the Audit and Risk Committee, Nominations Committee and Remuneration Committee are set out on pages 45 to 65.

Each Committee operates under clearly defined Terms of Reference which are reviewed annually and any proposed changes to those terms are referred to the Board for approval. Each Committee reports to the Board via the Chairman of the Committee. The Board has provided its Committees with sufficient resources to undertake their duties, including access to the Company Secretary and external advisers, where appropriate.

MATTERS RESERVED FOR THE BOARD

In accordance with the UK Corporate Governance Code, there is a formal schedule of matters reserved for the Board's decision which is monitored by the Company Secretary and reviewed annually by the Board. Specific matters reserved for the Board's consideration include:

- setting the Group's strategy
- approving the Group's annual operating plan
- reviewing operational and financial performance
- approving major acquisitions, divestments and capital expenditure
- approving changes to governance and business policies
- reviewing material contracts and contracts not in the ordinary course of business
- setting dividend policy and recommending dividend payments
- appointing the Group's external and internal auditors
- reviewing the Group's systems of risk management and financial controls, including effectiveness of internal audit
- ensuring that appropriate management development and succession plans are in place
- reviewing the environmental, health and safety performance of the Group
- reviewing the effectiveness of the Board and its Committees
- appointing and removing the Company Secretary

The Board delegates matters not reserved for the Board concerning the management of the Group's business to the Executive Team.

BOARD EFFECTIVENESS

Composition and independence of the Board

During the year, the Board comprised a Non-Executive Chairman, three Non-Executive Directors and three Executive Directors. During the year under review, Graham Hardcastle was appointed as an Executive Director and assumed the role of Group Finance Director on 1 May 2016 following Paul Edwards' retirement from the post. The Code requires that at least one-half of the Board should be independent Non-Executive Directors and this requirement has been met throughout the year. All Non-Executive Directors are considered by the Board to be independent and free from any relationship or circumstance that could affect independent judgement.

Since the year end, we have appointed David Blackwood as an independent Non-Executive Director. David was previously Group Finance Director of Synthomer plc, a position from which he retired in May 2015, and prior to that was Group Treasurer at Imperial Chemical Industries plc. David joined the Board on 1 May 2016 and will chair the Audit and Risk Committee from 1 June 2016. Mike Buzzacott will stand down from the Board on 31 May 2016.

Following the retirement of Paul Edwards and Mike Buzzacott and the appointment of David Blackwood after the financial year end, the Board currently comprises a Non-Executive Chairman, three Non-Executive Directors and two Executive Directors.

The skills and experience of the Non-Executive Directors are wide and varied and they provide constructive challenge in the Boardroom. The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will optimise the quality of deliberations and decision making. We consider diversity in the composition to be an important factor in the effectiveness of the Board and, in searching for prospective Directors, we take into account the existing skill set of the Board and areas we have identified for development to meet future needs and address succession planning.

ATTENDANCE AT MEETINGS

The following table sets out attendance of each Director at Board meetings held during the year:

	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Number of meetings	6	5	6	5
James Wallace (Chairman)	6	5	6	5
Heejae Chae (Group Chief Executive)	6	5	6	3
Paul Edwards (Group Finance Director)	6	5	5	1
Graham Hardcastle* (Executive Director)	1	1	1	–
Richard Perry (Senior Independent Director)	6	5	6	5
Michael Buzzacott (Non-Executive Director)	6	5	6	5
Martin Sawkins (Non-Executive Director)	6	5	6	5

* Appointed 1 February 2016

Although not members of the Committees, the Executive Directors attend meetings of the Audit and Risk Committee, Remuneration Committee and Nominations Committee as invited attendees, when appropriate.

Board diversity
The Board recognises the importance of gender diversity throughout the Group and is committed to supporting women in achieving positions in senior management. Our Executive Team, details of which are set out on page 41, currently comprises eight positions, four of which are held by women. Further information on the total female representation in our workforce is set out in the Sustainability Report on page 32.

We also recognise the importance of a Board diverse in all respects and our Board comprises members with a wide range of experience and backgrounds. The Board published a statement on Board diversity, which is set out on page 50 of this report and also in the Corporate Governance section of our website (www.scapa.com/en/CorporateGovernance). Further information on our HR policies is set out on page 67.

Subject to the Company's Articles of Association, the Companies Act 2006 and satisfactory performance, Non-Executive Directors are appointed for an initial term of three years. Before the third and sixth anniversaries of appointment, the Director discusses with the Board whether it is appropriate for him or her to serve a further term of three years. The appointment of any Non-Executive Director who has served more than nine years is subject to annual review by the Board. The letters of appointment for the Non-Executive Directors set out the number of days expected to be required to perform their duties. Additional time commitments are expected from those Non-Executive Directors who individually serve as the Chairman of any Committee of the Board.

Scapa recognises that Non-Executive Directors have other business interests outside the Company and that other directorships bring benefits to the Board. All existing directorships are included in the biographical details of the Directors on pages 38 and 39. Non-Executive Directors are required to obtain approval from the Chairman before accepting any further appointments.

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

Re-election
Graham Hardcastle (Group Finance Director) was appointed to the Board on 1 February 2016 and his appointment will be subject to formal approval by shareholders at the Annual General Meeting to be held on 19 July 2016. The Board has voluntarily adopted a policy that all Directors wishing to remain in post will propose themselves for re-election annually.

Further information on the appointment and replacement of Directors is given in the Directors' Report on page 67.

Conflicts of interest
Under the Companies Act 2006, a Director must avoid a situation where a direct or indirect conflict of interest may occur. The Company has in place procedures to deal with any situation where a conflict may be perceived.

The Nominations Committee annually reviews and considers the interests and other external appointments held by the members of the Board. The Directors have a continuing duty to inform the Board of any potential conflicts immediately so that they may be considered. There is a formal register of conflicts in which any authorised conflicts of interest would be recorded. During the year, none of the Directors declared a conflict of interest.

The Board has specifically considered the other appointments of the Directors, details of which are included in their biographies on pages 38 and 39, and has confirmed that each Director is able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

Board performance and evaluation
In accordance with the UK Corporate Governance Code, the Board has established a formal process for the rigorous evaluation of the performance of the Board, its Committees and individual Directors on an annual basis. This year the evaluation was conducted by the Chairman, supported by the Company Secretary. Each Director is required to provide feedback on a detailed questionnaire on a range of matters including the balance of skills and experience of the Board, independence of Directors, diversity and relations between the Executive Directors and Non-Executive Directors. Feedback is developed through interviews held with each Director. The outcome was presented to the Board and discussed openly and fully at the January 2016 Board meeting. The overall assessment of the Board and each of its Committees and members was that the Board continues to function effectively to a high standard, with all members contributing fully and constructively. A consistent message from the evaluation was the importance of succession planning at all levels of the Board. The Board was equally clear that it welcomes diversity in terms of gender, background, skills and experience and will seek to broaden the diversity of the Board through future appointments, all of which will be made on merit alone.

The Remuneration Committee reviews the performance of the Executive Directors. The Chairman reviews the performance of the Non-Executive Directors and Board Committees, with the exception of Committees chaired by the Chairman. The Senior Independent Director reviews the performance of the Chairman and Committees chaired by the Chairman.

During the year, the Chairman met with the independent Non-Executive Directors without the Executive Directors present, and the Senior Independent Director met with the other Non-Executive Directors without the Chairman present.

Induction and training
On appointment, each Director takes part in an induction programme through which they are provided with comprehensive and up-to-date information about the Group and its business, the role of the Board and the matters reserved for its decision, the Terms of Reference and membership of the Board and Committees, and the powers delegated to those Committees. The programme includes meetings with other Directors, the Executive Team and senior management members. In addition, each new Director is provided with guidance from the Company Secretary on the

Group's corporate governance practices and procedures, regulatory obligations applicable to the Board and briefings on wider responsibilities on areas such as Directors' duties. The induction programme is supplemented by visits to key locations and meetings with key Senior Executives.

Throughout their period in office, the Directors are updated on the Group's business, the competitive environment, corporate social responsibility matters and other changes affecting the Group and the industrial sectors in which the Group operates. The Board tries to visit different Group operations each year to help extend the breadth and depth of the Non-Executive Directors' understanding of the Group's business.

Training is provided to the Directors, to ensure that they are kept up to date with corporate governance best practice as well as legal and regulatory matters affecting the Group.

Information and support

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. Under direction from the Chairman, the Company Secretary ensures good information flow which includes executive commentaries from the Chief Operating Officer, in addition to the reports from the Executive Directors and Company Secretary which are provided in advance of each Board meeting. The reports explain issues affecting the Group and how the Group's strategy is being implemented through current and future activities. The Board is provided with sufficient management information and reports on a timely basis and receives briefings by members of the Executive Team and senior management regularly to ensure that the Board is fully up to date with key issues concerning the Group.

We continue to use the electronic delivery system adopted in the fiscal year 2014 for Board documentation to be delivered direct to the Directors' electronic devices, which facilitates timely and efficient delivery of information and Board packs to the Directors. This approach also reduces the amount of paper used by the Board and is in line with our move to use electronic communications with shareholders which we implemented following the relevant approvals at the Annual General Meeting held in July 2013.

Indemnification of Directors

Qualifying third party indemnity provisions, as defined in section 234 of the Companies Act 2006, are in force for the benefit of Directors who held office during the year. The Company maintains Directors and Officers liability insurance for the Group's Directors and Officers.

ACCOUNTABILITY

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. The statement setting out the reasons why the Board continues to adopt the going concern basis for preparing the financial statements is included in the Directors' Report on page 66.

Internal control system

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks to the achievement of Scapa's strategic objectives and this process was in place throughout the year under review and up to the date on which the Accounts were approved. The process accords with the Code and is regularly reviewed by the Board, through the Audit and Risk Committee, whose review of the effectiveness of the Group's risk management and internal control systems includes:

> a formal review of the Group's Risk Profile at least once every six months to assess potential risk areas and action plans to address these risks
> review of the strategic and annual internal audit plan
> review of the external audit strategy and plan
> quarterly review of the implementation of internal audit recommendations
> review of declared financial and operational control self-assessments against minimum control standards across all locations
> review, on an annual basis, of Group policies in relation to whistleblowing, anti-bribery and corruption, and prevention of fraud

The Board, supported by the Audit and Risk Committee, is responsible for determining the nature and extent of the significant risks that the Group is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control procedures.

The Group's internal control system is designed to manage the risk of failure to achieve business objectives, rather than to eliminate that risk. Such systems can only provide reasonable, and not absolute, assurance against material misstatement or loss.

During the year there have been no significant failings, weaknesses, or any material internal control failures that have been identified and which require reporting in the 2015/16 Annual Report and Accounts.

COMMUNICATIONS WITH SHAREHOLDERS

At the Company's Annual General Meetings, all Directors are available to respond to questions from shareholders present. The Annual General Meeting provides a forum for constructive communication between the Board and shareholders. Throughout the year, the Executive Directors, and separately the Chairman, meet with investors to discuss matters relevant to the Company. During the year, the Chairman of the Remuneration Committee and the Company Secretary met with shareholders to canvass views on the proposed Value Creation Plan ('the Plan'), which views were taken into account in refining the structure of the Plan that was subsequently approved by shareholders in General Meeting on 16 November 2015.

R L SMITH
Company Secretary
24 May 2016

REPORT OF THE AUDIT AND RISK COMMITTEE

DEAR SHAREHOLDER

The Audit and Risk Committee report for the year ended 31 March 2016 is set out on the following pages 45 to 48. Overall the Committee completed its work plan for the year and continuously reviewed internal control, risk, accounting policies and regulatory guidance.

From a business as usual perspective, there is nothing to bring to your attention as a highlight. In summary, the Committee considers that it has delivered what it set out to do and has a clear plan for 2016/17. The Chairman of the Committee will be available at the Annual General Meeting to respond to any questions shareholders may raise on any of the Committee's activities.

AIMS AND OBJECTIVES

The overall aim of the Committee is to monitor the integrity of the Group's financial statements and announcements, its accounting processes, and the effectiveness of internal controls and risk management. The Committee assists the Board in fulfilling its responsibility to ensure that the Group's financial systems provide accurate and up-to-date information on its financial position, and supports the Board in its consideration as to whether the Group's published financial statements are fair, balanced and understandable.

COMPOSITION

The Board nominated Mike Buzzacott as Chairman of the Audit and Risk Committee in January 2015. Mike is a qualified accountant and an experienced Non-Executive Director and Audit and Risk Committee chair, having held Non-Executive Directorships at Croda International Plc and Rexam PLC and being a current Non-Executive Director at Genus PLC.

James Wallace, Richard Perry and Martin Sawkins were members of the Audit and Risk Committee throughout the year under review. Both James Wallace and Richard Perry are qualified accountants and each has substantial experience of risk management, governance and internal control in manufacturing organisations, in their Executive and Non-Executive directorships in manufacturing organisations.

Martin Sawkins has completed his first full year as a member of the Audit and Risk Committee at Scapa and has substantial experience in both HR and business operations across the manufacturing and services industries, including Rentokil Initial Plc, The AA Limited, British Aerospace and United Biscuits. Martin also holds a Non-Executive directorship at Wincanton plc, where he is also a member of its Audit Committee.

This relevant experience allows the members to:

> understand the risks facing a global manufacturing company and approaches to managing its risks

> maintain an oversight of the Group's internal control environment through the internal audit plan and risk management framework

> undertake strategic financial management in a global manufacturing company

> provide constructive challenge to the reports and assurances given by management, and guide the design and implementation of a suitable assurance framework

> ensure overall external audit efficiency, including capturing control improvement and minimising duplication of assurance work

> provide practical insights on the Group's approach to corporate governance

The Company Secretary acts as the secretary to the Audit and Risk Committee.

MEETING FREQUENCY AND ATTENDANCE

The Audit and Risk Committee is required to meet formally at least three times per year.

Member	No. of meetings attended
M C Buzzacott	5/5
J A S Wallace	5/5
R J Perry	5/5
M T Sawkins	5/5

Others who are invited to attend meetings of the Committee:

> External Audit – Deloitte LLP
> Head of Group Risk & Assurance
> Group Chief Executive
> Group Finance Director
> Group Financial Controller

The Audit and Risk Committee's full Terms of Reference can be found in the Group Corporate Governance section of the Company's website (www.scapa.com/en/CorporateGovernance).

The Committee's Terms of Reference are reviewed annually. This year's review was conducted in line with the Institute of Chartered Secretaries and Administrators (ICSA) guidance to reflect the UK Governance Code.

In summary, the Audit and Risk Committee is required to:

> oversee and advise the Board on the current risk exposures of the Company and related future risk strategies
> oversee the activities of internal audit
> review internal control policies and procedures for the identification, assessment and reporting of material financial and non-financial risks
> review reports on any material breaches of risk limits and the adequacy of proposed actions
> review the Group's procedures for detecting fraud
> review the Group's procedures for the prevention of bribery and corruption
> review the Group's procedures for ensuring that appropriate arrangements are in place to enable employees to raise matters of possible impropriety in confidence
> review the effectiveness of the Group's financial reporting

AUDIT AND RISK COMMITTEE ACTIVITIES

In order to discharge its responsibilities, during the year, the Committee has undertaken the following activities:

Financial statements and reports

> Reviewed and discussed changes to the UK Corporate Governance framework and its impact on reporting requirements
> Reviewed and approved the external audit fees for 2015/16
> Reviewed the interim accounts and related statements and discussed:
  – key accounting judgements
  – Income Statement for the half year, specifically revenue, trading profit and foreign exchange
  – significant judgements on insurance strategy
> Reviewed and considered the significant issues in relation to the financial statements and how these have been addressed, including:
  – **Viability statement** – The 2014 UK Corporate Governance Code provision C.2.2 has set out a requirement for the Directors to explain in the Annual Report how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate. The Committee reviews the analysis undertaken in relation to strategic risk management and risk assessment, risk appetite, internal control, risk and control reporting structure and the principal risks identified on an ongoing basis. This monitoring and review informs the draft statement which was documented for the first time in 2015/16.
  – **Pension liabilities** – The Group has a material defined benefit pension scheme deficit in the UK and smaller schemes in the US and Europe. Small changes to the assumptions used to value the retirement benefit obligations can have a significant impact on the financial position of the Group. The Committee reviews the assumptions put forward by the actuaries and reviews their reasonableness. The Committee reviews the assumptions by comparison to external benchmark data and also considers the adequacy of disclosures in respect of the sensitivity of the deficit to changes in these key assumptions.
  – **Inventory valuation** – Inventory is a significant item on the Balance Sheet and therefore exposes the Group to risks around valuation and existence. The Committee reviews the year end reports on inventory with particular focus on the level of provisioning and the results from the annual stock-takes. The Committee reviews the analysis of stock write-offs throughout the year.
  – **Exceptional items** – The Committee received reports and challenged the basis and completeness of information. In particular, the Committee considered the nature of the items and determined whether separate disclosure was appropriate or not. The Committee discussed with management the key judgements behind all the exceptional items and agreed with their recommendations.
> Reviewed the year end accounts and related statements and auditor's report for 2015/16 to ensure that the report is fair, balanced and understandable

AUDIT AND RISK COMMITTEE ACTIVITIES CONTINUED

External audit
- Monitored and ensured the independence and objectivity of the external auditor
- Approved all non-audit service work over £10,000
- Reviewed and approved the scope and methodology of the external audit strategy for 2015/16
- Reviewed the performance of the external auditor and considered the reappointment of Deloitte LLP as auditor for 2016/17 and recommended the appointment to the Board

Internal audit
- Evaluated the adequacy of the strategic and annual internal audit plan
- Reviewed and followed up, where appropriate, management responses to internal audit findings and recommendations raised during the year
- Reviewed and approved the Group Risk & Assurance team resourcing including the co-source provision and associated costs
- Reviewed the performance of internal audit
- Performed an ongoing review of compliance with the Group's processes to prevent and detect bribery and corruption

Risk management
- Reviewed the key risks (financial and operational) facing the Group and the ongoing development and implementation of action plans to mitigate these risks
- Reviewed and approved the updated Group Authority Matrix
- Reviewed the updated Group Open Door Policy and procedure (previously known as the Whistleblowing Policy) to enable anonymous reporting of complaints
- Reported to the Board on how it has discharged its responsibilities

To assess the effectiveness of our external auditor, a formal performance review is undertaken on an annual basis to identify the adequacy of their approach to:

Resource quality – it is important that the external auditor has achieved the right balance of audit team resource. While they should be providing team continuity and knowledge, they should also be providing a fresh perspective through new team members at all levels to enable the current audit processes and accounting policies to be challenged.

Effective communication – is key to obtaining the highest quality audit service from our external auditor and includes:

- key audit judgements are communicated at the earliest opportunity to promote discussion and challenge between themselves and management
- informing Scapa of audit issues as they arise, so that these can be dealt with in a timely manner
- in-year communication regarding good practice, changes to reporting requirements and accounting standards to enable Scapa to be prepared prior to year end
- timely provision of Audit and Risk Committee papers to enable adequate management review and feedback
- quality of the reports and publications provided by the external auditor in terms of content, relevance and presentation

Scoping and planning – specifically relating to the year end audit work:

- consultation with stakeholders including Group and local finance teams, local warehouse teams, Group Risk & Assurance and the Audit and Risk Committee
- timely provision of the external audit strategy and timetable to stakeholders
- transparency in the communication and management of changes to the external audit plan and related timings

Fees – are transparent and communicated prior to the commencement of any work undertaken. Where variations occur, these are informed at the earliest opportunity to enable dialogue and negotiation to be undertaken.

INTERNAL AUDIT

Internal audit at Scapa is managed and delivered by the Group Risk & Assurance team. Against an agreed mandate, this function performs independent internal audits and facilitates standardised and structured risk assessment across the Group. Specialist internal audits are conducted by experts (in-house and outsourced) under the direction and management of the Head of Group Risk & Assurance.

In line with the Group's Internal Audit Charter, a three-year internal audit strategy and an annual internal audit plan are approved by the Audit and Risk Committee each year. These target the most significant areas of risk to provide assurance that key controls are effectively designed and consistently operated. Audit reports are produced to convey the extent of control assurance derived from the formal testing of controls. In providing independent good practice guidance, the Group Risk & Assurance team assists the business in the continuous improvement of controls and procedures.

Half yearly summary reports are presented by the Group Risk & Assurance team to the Audit and Risk Committee to convey:

> an up-to-date view of the Group's risk profile
> details of internal audits undertaken during the period
> an overall assessment of the Group's control environment
> the status of management actions arising from the risk management and internal assurance processes

The Head of Group Risk & Assurance is accountable to the Audit and Risk Committee and has access to the Committee and its Chairman at any time during the year. As a matter of course, the Head of Group Risk & Assurance meets with the Chairman of the Audit and Risk Committee independently of management.

The Group Risk & Assurance team has no operational responsibility or authority over any of the activities it has reviewed during the year, nor has the team designed the control frameworks in place. The Group Risk & Assurance team members do not hold shares in the Company. This ensures that the team is sufficiently objective and independent of the areas under review to avoid prejudice and conflicts of interest.

EXTERNAL AUDIT

Auditor independence

The Committee continues to monitor the external auditor's compliance with applicable ethical guidance and guidelines and considers the independence and objectivity of the external auditor as part of the Committee's duties. The Committee received and reviewed written confirmation from the external auditor on all relationships that, in their judgement, may bear on their independence. The external auditor has also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

In all services purchased, the Group selects the provider best placed to deliver the work in terms of quality and cost. As a general principle the external auditor is excluded from consultancy work and other non-audit work. However, there may be occasions when it is appropriate to use our external auditor for non-audit services and this will be reviewed on an individual basis and allocated according to merit.

The external auditor may be appointed to provide non-audit services where it is in the Group's best interests to do so, provided a number of criteria are met. These are that the external auditor does not:

> audit their own work
> make management decisions for the Group
> create a conflict of interest
> find themselves in the role of an advocate for the Group

Non-audit services for up to £10,000 (which comply with the above criteria) may be provided by the external auditor with authorisation in advance by the Group Finance Director.

All projects where forecasted expenditure exceeded £10,000 were approved by the Audit and Risk Committee.

Tendering policy and review of auditor effectiveness

Deloitte LLP was appointed as the Group's external auditor in 2011 after a competitive tendering exercise. Deloitte LLP has been the Group's external auditor for five financial years and the engagement partner has completed their five years as audit partner. Therefore, to aid in the smooth transition of engagement partner in 2016/17, Deloitte has already commenced the introduction and orientation of a new engagement partner to the Group and the external audit team.

Following the positive outcome of a performance and effectiveness evaluation undertaken by the management, the Audit and Risk Committee concluded that it was appropriate to recommend to the Board the reappointment of Deloitte LLP as the Group's external auditor for the next financial year.

M C BUZZACOTT
Chairman of the
Audit and Risk Committee
24 May 2016

REPORT OF THE NOMINATIONS COMMITTEE

DEAR SHAREHOLDER

The Report of the Nominations Committee for the year ended 31 March 2016 is set out below.

AIMS AND OBJECTIVES

The aims and objectives of the Nominations Committee are set out in the Nominations Committee's full Terms of Reference which can be found in the Corporate Governance section on the Company's website (www.scapa.com/en/CorporateGovernance).

In summary, the role of the Nominations Committee is to:

> review the Board structure, size and composition, and make recommendations to the Board with regard to potential changes
> seek the appointment of Directors with the appropriate mix of skills, knowledge and experience that the Board requires to ensure that it is effective in discharging its responsibilities
> review its own performance, constitution and Terms of Reference to ensure that it is operating at maximum effectiveness
> review the re-election of Directors at the Annual General Meeting
> meet at least twice yearly and on an ad hoc basis as required and is responsible for nomination, for approval by the Board, of candidates for appointment to the Board and for succession planning

COMPOSITION

The Nominations Committee comprises the four Non-Executive Directors of the Company: James Wallace (Chairman), Richard Perry (Senior Independent Director), Mike Buzzacott (Non-Executive Director) and Martin Sawkins (Non-Executive Director). James Wallace acts as Chairman of the Committee and the Company Secretary acts as secretary to the Committee.

Since the year end, the Nominations Committee has recommended the appointment of a new Non-Executive Director, as discussed elsewhere in this Corporate Governance Report.

Biographical details of all Committee members can be found on pages 38 and 39 of this Report and also on the Company's website www.scapa.com.

The Terms and Conditions of appointment of the Directors, including the expected time commitment, can be inspected at the Company's registered office during normal working hours.

MEETING FREQUENCY AND ATTENDANCE

The Nominations Committee meets formally at least twice each year, with other meetings taking place on an ad hoc basis as required. Only members of the Committee have the right to attend Committee meetings; however, other individuals such as the Group Chief Executive, the Group Finance Director and external advisers may be invited to attend for all or any part of the meeting as and when appropriate. The Committee met formally five times during the year with all members attending all of the meetings. Non-Committee members of the Board were also invited to attend.

Member	No. of meetings attended
J A S Wallace	5/5
R J Perry	5/5
M C Buzzacott	5/5
M T Sawkins	5/5

NOMINATIONS COMMITTEE ACTIVITIES

As described above, the main focus of the Committee this year has been succession planning which resulted in the recruitment of a new Executive Director to the Board. The Nominations Committee met several times during the year and considered the following:

> The adoption of a policy that all Directors should offer themselves for re-election annually, rather than on a three-year cycle
> The findings of the annual evaluation of the Board's and Board Committees' effectiveness
> Succession planning of Executive and Non-Executive Directors
> The retirement of Paul Edwards as Group Finance Director
> The nomination and appointment of Graham Hardcastle as an Executive Director and his succession to the role of Group Finance Director
> The independence of the Non-Executive Directors
> The extension of Richard Perry's appointment letter
> The existing terms of the Nominations Committee's Terms of Reference. The Committee determined that they remain in line with current guidelines from ICSA and will be reviewed in the event of any changes in best practice or legislation
> The Board Diversity Policy adopted by the Board in January 2014 in light of current best practice. The Committee determined that the Policy remains appropriate for the Company. The Policy is set out below and a copy is located in the Group Corporate Governance section on the Company's website (www.scapa.com/en/CorporateGovernance)

SUCCESSION PLANNING

During the year under review, the Nominations Committee focused on Board succession and composition. Following discussions with Paul Edwards over his plans to retire from his role as Group Finance Director, a formal and extensive search was undertaken with an independent executive search firm to identify potential successors for the role. The Nominations Committee carried out a rigorous selection process and with effect from 1 February 2016, Graham Hardcastle was recruited as an Executive Director and he assumed the role of Group Finance Director on 1 May 2016.

Board succession and composition will remain a priority in the coming year.

In the coming year the Committee will continue to monitor the composition and effectiveness of the Board and Committees of the Company, and keep abreast of developments in corporate governance to ensure that we act in the spirit of good governance practice.

BOARD DIVERSITY POLICY

The Board recognises the importance of diversity in its broadest sense in the Boardroom as an essential element in maintaining Board effectiveness and a competitive advantage.

Diversity of skills, background, knowledge, international and industry experience, and gender will be taken into consideration when seeking to make new appointments to the Board and its Committees. All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge.

The Board will consider suitably qualified applicants for Non-Executive Director roles from as wide a range as possible, with no restrictions on age, gender, creed, ethnic background or current executive employment, but whose competencies and knowledge will enhance the Board. Independence and the ability to fulfil time commitments required will also be taken into account.

The Board will ensure that procedures are in place for orderly succession to the Board so as to maintain the correct balance and to ensure ongoing progression.

James A S Wallace

J A S WALLACE
Chairman of the Nominations Committee
24 May 2016

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE, MARTIN SAWKINS

"It is our belief that Executives should be rewarded on the basis of their individual performance and the value created for shareholders."

This report sets out the activities of the Remuneration Committee for the year ended 31 March 2016. The report sets out the remuneration policy and remuneration details for Scapa's Executive and Non-Executive Directors, and has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013, which the Company has voluntarily chosen to follow.

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2016.

OUR STRATEGY

Our continued success has been shaped by the strategy to create a balanced portfolio of businesses in our chosen markets of Healthcare and Industrial, increase customer intimacy and integration, make earnings-enhancing acquisitions and maintain our process of self-help and good cost control.

EXECUTIVE REMUNERATION AND LINK TO STRATEGY

In 2014, we voluntarily sought and obtained shareholder approval for the Directors' Remuneration Policy, which is clearly focused on rewarding superior and sustained performance. It is our belief that Executives should be rewarded on the basis of their individual performance and the value created for shareholders. Variable elements of pay are therefore focused on simple and transparent measures of key strategic objectives, operating profit, EPS growth and sustainable growth in shareholder value. Bonus and long-term incentive scheme targets are purposely designed to be challenging and drive the long-term success of the Group.

REMUNERATION OUTCOMES OF 2016

Full details of the remuneration decisions for 2016 are set out in the Directors' Annual Remuneration Report on pages 59 to 65. The Group reported very pleasing results, achieving £21.3m trading profit on revenue of £246.7m, and continuing year on year growth since 2010 under the direction of Heejae Chae, Paul Edwards and the Executive Team. Trading profit margin improved to 8.6% and adjusted EPS increased to 10.6p.

The annual bonus target for the Executive Directors and Executive Team was set by the Committee at the beginning of the financial year. The target was met and the Executive Directors will receive an annual bonus equivalent to 100% of salary for 2016.

During the year, the Committee approved payments under the 2010 Share Price Incentive Plan following the growth in the Company's share price to above £1.50 for 30 consecutive days. Under this Plan, Heejae Chae and Paul Edwards each received a bonus equivalent to 100% of salary and one other member of the Executive Team received a bonus equivalent to 75% of salary.

The Committee has also reviewed the Company's EPS growth over the three-year period ended 31 March 2016 to establish whether the performance criteria for vesting of awards made under the Company's Performance Share Plan in 2013 had been achieved. The adjusted EPS growth over the three-year performance measurement period exceeded the target for 100% vesting and the awards will vest in full.

The Company's share price over the three-year measurement period rose from 66.5p to 215p and market capitalisation grew from £97.4m to £322.6m, with £4.4m returned to shareholders by way of dividends.

INTRODUCTION OF THE SCAPA GROUP PLC 2015 VALUE CREATION PLAN

The Remuneration Committee and the wider Board recognise the importance of attracting, retaining and motivating talent within the Executive Board and wider Executive Team to continue the successful growth of the Group as Scapa pursues its strategy to continue to move up the Healthcare value chain, to develop and leverage strategic partnerships in our chosen Industrial markets, and to add further capabilities, product offerings and services through acquisitions. The Board and the Remuneration Committee recommended to shareholders the introduction of a new Long Term Incentive Plan for key management by which the Executive Directors and Executive Team ('Participants') will share in a proportion of exceptional value created over the five years to April 2020. Awards are in the form of nil cost options which will vest if the Company's share price exceeds gateway values on 31 March 2018 and 31 March 2020 (each a 'Measurement Date'), in which case the Participants will share in 5% of the value created. Heejae Chae, Chief Executive, has been awarded 40% of the Plan and Graham Hardcastle, the incoming Group Finance Director, has been awarded 20% of the Plan, with the balance of the Plan shared between the Executive Team. The awards are subject to holding periods of 24 months and 12 months in respect of awards vesting on the first and second Measurement Date respectively. This Value Creation Plan is designed to create a clear link between strategic objectives and shareholder value creation and to reward significant and sustained performance over the longer term, thereby aligning the interests of Participants with those of shareholders. To avoid rewarding success twice, the value of any payout under the Value Creation Plan will be reduced by the value of any awards granted under the Performance Share Plan during the life of the Value Creation Plan. The Plan was formally approved by shareholders in General Meeting on 16 November 2015. Consequent amendments to the Directors' Remuneration Policy to allow for the Value Creation Plan were also approved at that General Meeting. Key terms of the Value Creation Plan are set out in the Circular dated 29 October 2015, a copy of which can be found on the Company's website at www.scapa.com/en/GeneralMeeting2015NoticeofMeeting.

TRANSPARENCY IN DISCLOSURE

The Committee seeks to operate in a clear and transparent manner and to demonstrate good practice in executive remuneration.

The Committee's report comprises three sections, namely:

> This statement, which sets out a summary of and explains the major decisions on Directors' remuneration
> The Directors' Remuneration Policy, as approved at the last Annual General Meeting
> The Directors' Annual Remuneration Report, which provides details on how the Policy will operate in the forthcoming year and states the remuneration earned by the Directors in the year to 31 March 2016

At the Annual General Meeting on 19 July 2016, the Directors' Annual Remuneration Report will be subject to an advisory vote by shareholders.

The Directors' Remuneration Policy was approved at the 2014 Annual General Meeting and will be subject to shareholder vote every three years, or sooner if any changes are made to the Policy. The Board will treat the shareholder vote as binding, notwithstanding that as an AIM-listed company, Scapa is not required to put the Policy to a binding vote.

REMUNERATION POLICY FOR THE FORTHCOMING YEAR

The Committee reviews the Directors' Remuneration Policy on a regular basis to ensure that it promotes motivation and retention of high quality executives who are key to delivering continued sustainable profitable growth and value creation for shareholders. The Committee believes the Policy, as approved in General Meeting in 2014 and amended in November 2015, continues to be appropriate and that it should operate for the forthcoming year without further amendment.

ENGAGEMENT WITH SHAREHOLDERS

During the year, the Chairman of the Remuneration Committee engaged with shareholders on the issues of executive reward. Feedback was positive and supportive and we are pleased with the level of support we have from shareholders, with 96.6% approval for the Directors' Remuneration Policy at the last Annual General Meeting. The Chairman of the Remuneration Committee and the Company Secretary canvassed views from the Company's top ten shareholders in connection with the proposed introduction of the Value Creation Plan. Feedback from dialogue with shareholders was taken into account in finalising the design of the Plan, which was formally approved by shareholders on 16 November 2015.

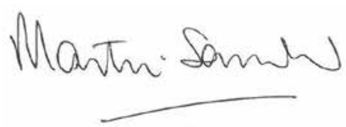
REMUNERATION COMMITTEE ACTIVITIES

During the year under review, the Committee met formally on six occasions and all members were present at each meeting. We took advice from Deloitte LLP on the Value Creation Plan. The key activities of the Committee during the year were:

> review of the Directors' Remuneration Policy and identification of the need for a new Long-Term Incentive Plan to reward exceptional growth in shareholder value
> consideration of the terms of a new Long-Term Incentive Plan to reward exceptional growth in shareholder value
> liaising with the top ten shareholders for views on the proposed Plan, refining the Plan and issuing a Circular to shareholders to call a General Meeting to approve the Plan and consequent amendments to the Directors' Remuneration Policy
> consideration of the levels of pay and benefits for the Executive Directors and Executive Team
> consideration of the impact of changes to legislation affecting pension contribution allowances
> consideration and approval of exit terms for Executive Directors and Senior Executives leaving the business
> review of corporate governance developments in the area of executive remuneration
> assessment of performance targets and outcome against annual bonus and LTIP targets for the Executive Directors and Executive Team

BOARD CHANGES

During the year Paul Edwards gave notice of his intention to retire as Group Finance Director with effect from 30 April 2016. Following his retirement, he will be entitled to receive an annual bonus in respect of the financial year ending 31 March 2016 at the rate of 100% of salary, which will be paid in June 2016. Mr Edwards will also be entitled to exercise awards made under the PSP in 2013, to the extent they vest in July 2016. All other awards under the PSP and SAYE will lapse on the date he ceases to be employed by the Company and he will not be entitled to participate in the FY2017 bonus scheme. The Committee approved the remuneration for Graham Hardcastle, who joined the Board on 1 February 2016 and assumed the role of Group Finance Director on 1 May 2016.



M T SAWKINS
Chairman of the Remuneration Committee
24 May 2016

REMUNERATION PRINCIPLES FOR EXECUTIVE DIRECTORS

The main principles of the senior executive remuneration policy are set out below:

> Attract and retain high calibre executives in a competitive international market, and remunerate executives fairly and responsibly
> Motivate delivery of our key business strategies and encourage a strong performance-oriented culture
> Reward achievement of stretching targets over the short and long term
> Support both near-term and long-term success and sustainable shareholder value
> Align the business strategy and achievement of planned business objectives
> Be compatible with the Company's risk policies and systems
> Ensure that a significant proportion of remuneration is performance-related
> Link maximum payout to outstanding performance
> Take into consideration the views of shareholders and best practice guidelines

Fixed remuneration comprises salary, pension and benefits. Variable pay includes annual bonus and LTIP awards. Together, fixed and variable remuneration comprise total remuneration for the Executive Directors. The Committee recognises that it may be necessary on occasion to use its discretion to make remuneration decisions outside the standard remuneration policy, such as agreeing a sign-on payment, to attract and retain particular individuals.

COMPONENTS OF REMUNERATION

The table below sets out the remuneration policy approved by shareholders on 22 July 2014 as amended on 16 November 2015:

Purpose	Operation	Maximum opportunity	Performance measures
SALARY			
Attract and retain the right calibre of senior executive required to support the long-term success of the business. Provide the basis for a competitive remuneration package.	Determined by reference to market data. Reflects individual experience, skills and role. Paid monthly. Reviewed annually by the Remuneration Committee, with any changes becoming effective on 1 January for the Chief Executive and 1 June for the Group Finance Director.	Increases will be made at the discretion of the Committee to take account of individual circumstances such as: > increase in responsibility > development and performance in the role > alignment to market level	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
PENSION			
Provide a market competitive level of pension provision and allow Executive Directors to build long-term retirement savings.	Defined contribution based on a percentage of salary. The rate of contribution for Executive Directors exceeds the rates for the broader employee population; this reflects market practice for senior executives. The rate of contribution for any new Executive Director is benchmarked at the date of appointment. Directors may elect to take part of their pension contribution as salary.	Chief Executive – 20% of salary. Group Finance Director – 20% of salary. No element other than salary is pensionable.	None. Pension contribution is set at commencement of an individual's contract.

Purpose	Operation	Maximum opportunity	Performance measures
BENEFITS			
Protect against risks and provide other benefits reflecting the international aspects of Executive Directors' roles.	Car allowance paid monthly, private medical insurance in the UK, permanent health insurance and life assurance cover. The Chief Executive participates in a US contributory private medical insurance plan.	Set at a level which the Remuneration Committee considers is appropriate taking into account comparable roles in companies of a similar size and complexity, and provides a sufficient level of benefit based on the role. The value of benefits in 2016 was £27,074 for the Chief Executive and £11,920 for the Group Finance Director.	None.
ANNUAL BONUS			
Provide a direct link between measurable individual performance and rewards. Encourage the achievement of outstanding results aligned to the business strategy and achievement of planned business objectives.	Individual bonus decisions are based on Executive Directors' performance during the year, measured against Group and personal objectives. Performance measures are both quantitative and qualitative, and both financial and non-financial. Bonus awards are made by the Committee following discussions with the Chairman (for the Chief Executive's bonus) and the Chief Executive (for the Group Finance Director's bonus). Bonus awards are paid in cash or, at the discretion of the Committee, as a combination of cash and shares, after the results of the Group are audited. The Committee may elect to satisfy a part of the bonus in shares and match the number of shares received. Any shares issued in satisfaction of bonus shall be held for a minimum period as the Remuneration Committee specifies.	The value of any annual bonus is limited to a percentage of salary. The current maximum percentage is 150% for both the Chief Executive and the Group Finance Director if exceptional outperformance of targets is achieved.	Performance is assessed using specific metrics set by the Remuneration Committee, including Group Trading Profit improvement. The measures and targets are set by the Committee each year. The measures that apply for the financial year 2016 are set out in the Directors' Annual Remuneration Report. Measures for future years will be described in the Directors' Annual Remuneration Report for the relevant year.

Purpose	Operation	Maximum opportunity	Performance measures
LONG-TERM INCENTIVE PLAN AWARD			
Reward execution of Scapa's strategy and growth in shareholder value over a multiple-year period. Long-term performance measurement discourages excessive risk-taking and inappropriate short-term behaviours, and encourages Executive Directors and Senior Executives to take a long-term view by aligning their interests with those of shareholders. The LTIP is designed to retain Executive Directors and Senior Executives over the performance period of the awards.	LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Chief Executive's award) and the Chief Executive (for the Group Finance Director's and Senior Executives' awards). Achievement of stretching performance measures determines whether and to what extent LTIP awards will vest. Awards vest three years after the date of the award, subject to achievement of performance criteria. At vesting, the LTIP awards are satisfied in Scapa shares. Awards will typically lapse on termination of employment, although the Committee may determine that awards may vest after termination of employment, in accordance with the plan rules and taking into account performance during the date of grant and date of termination of employment. In the event of a change of control of the Company, awards shall vest and be exercisable.	Awards are made as a percentage of salary up to a maximum of 200%. In the absence of exceptional circumstances which the Committee considers warrant additional levels of award, the PSP awards will be granted at not more than 100% of salary each year.	Performance is assessed against delivery of long-term financial performance. Existing awards vest against growth in EPS. Alternative or additional criteria may be used to determine future rewards.
VALUE CREATION PLAN			
Reward the Executive Directors and other Senior Executives to create exceptional and sustainable increases in shareholder value during the five-year period to 31 March 2020.	Awards are made by the Committee to the Executive Directors and Executive Team. Awards may vest before March 2020 in certain circumstances in accordance with the rules of the VCP in the event of a change of control, other relevant corporate event or in certain 'good leaver' circumstances. The Committee has discretion to operate the VCP in accordance with its rules as approved by shareholders.	Participants will share 5% of the increase in value created for shareholders above a share price of £1.95 up to a share price of £5.00. The Committee has discretion to award additional shares (or an equivalent cash amount) to reflect the value of dividends paid on some or all of the vested shares up until the release date.	Share price growth, measured on 31 March 2018 and 31 March 2020 using the average closing price in the 30 days ending on the Measurement Date. Where an award vests early as a result of a change of control, other relevant corporate event or in 'good leaver' circumstances, the growth in share price will be measured in accordance with the VCP rules.

Purpose	Operation	Maximum opportunity	Performance measures
SAYE SCHEME			
Reward execution of Scapa's strategy and growth in shareholder value over a multiple-year period.	All UK employees are eligible to join this savings related share option scheme, which is approved by HM Revenue and Customs. The Company grants each participant an option to subscribe for Scapa shares at an option price per share which is set at the commencement of the scheme. The option price is at a discount to the market price on the date of grant. On a change of control of the Company, options shall be exercisable.	Participation limits are set by HM Revenue and Customs. Although the participation limit on SAYE schemes has been increased to £500 per month, the limit applicable to the current Scapa SAYE scheme is £250 per month.	None.
CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES			
Provide an appropriate reward to attract and retain high calibre individuals. Neither the Chairman nor any of the Non-Executive Directors are entitled to a bonus or benefits and their fees are not performance related.	The fee for the Chairman reflects the level of commitment and responsibility of the role. The fee is paid monthly in cash and is inclusive of all Committee roles. Non-Executive Directors' fees are set at a level which ensures that the Company can attract and retain individuals with the required skills, experience and knowledge to enable the Board effectively to carry out its duties. Non-Executive Directors' remuneration comprises a base fee together with an additional fee for chairing one or more Board Committees and a further fee for the role of Senior Independent Director.	Set at a level which reflects the commitment and contribution expected from the Chairman and Non-Executive Directors, and is appropriately positioned against comparable roles in companies of a similar size and complexity. Actual fee levels are disclosed in the Directors' Annual Remuneration Report for the relevant financial year.	Benchmarked externally from time to time as appropriate.

RECRUITMENT REMUNERATION ARRANGEMENTS

When recruiting a new Executive Director, whether from within the organisation or externally, the Committee will take into consideration all relevant factors to ensure that remuneration arrangements are in the best interests of the Company and its shareholders without paying more than is necessary to recruit an executive of the required calibre. The Committee will seek to align the remuneration package offered with the remuneration policy outlined above, but retains discretion to make proposals on hiring which are outside the standard policy. The Committee may make awards on appointing an Executive Director to compensate for remuneration arrangements forfeited on leaving the previous employer. In doing so, the Committee will consider all factors relevant to the forfeited arrangements, such as the nature of the remuneration forfeited, any performance conditions and time periods over which they would have vested, and any compensatory awards will be on a comparable basis.

DIRECTOR SHAREHOLDING GUIDELINES

All Executive Directors are expected to build up over a reasonable period from appointment, and hold, a minimum level of shareholding in the Company equal to one year's salary. Non-Executive Directors are expected to build up and hold a material level of shareholding within a reasonable period of appointment. This is considered an effective way to align the interests of the Directors and shareholders over the long term.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND TERMINATION PAYMENTS

Scapa's Executive Director service contracts entitle the Executive Directors to the fixed elements of remuneration and to consideration for variable remuneration each year. The contracts are terminable by the Company on not more than 12 months' written notice. The Company may terminate an Executive Director's contract immediately with payments in lieu of notice between six to 12 months' salary plus contractual entitlements. There are no express provisions for compensation payable on early termination of an Executive Director's contract as at the date of termination other than as set out above. The Committee will seek to mitigate the cost to the Company while dealing fairly with each individual case. The Company may contribute to the reasonable legal fees of a Director in relation to any agreement to cease employment.

It is the policy of the Company that all executive appointments to the Board will have contract notice periods no longer than 12 months.

EXTERNAL APPOINTMENTS

It is the policy of the Company, which is reflected in the contract of employment, that no Executive Director may accept any Non-Executive directorships or other appointments without the prior approval of the Board. Any outside appointments are considered by the Nominations Committee or the Board to ensure that they would not give rise to a conflict of interest. It is the Company's policy that remuneration earned from any such appointment may be retained by the individual Executive Director.

REMUNERATION POLICY FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and other Non-Executive Directors are appointed under a letter of appointment for an initial term of three years, subject to earlier termination by either party upon written notice. In each case, the letter of appointment may be extended by mutual consent. The Chairman and the Non-Executive Directors are not contractually entitled to termination payments. The letters of appointment cover such matters as duties, time commitment and other business interests.

The Remuneration Committee determines the remuneration for the Chairman and Non-Executive Directors within the limits set in the Company's Articles of Association.

The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual and market practice in comparable companies. The Chairman's fee is currently set at £100,000 per annum.

The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Non-Executive Directors' fee structure was reviewed during the year by the Board and no changes were proposed. The fee structure, with effect from 1 May 2016, remains as follows:

> Basic fee – £40,000
> Committee Chairman fee – £5,000
> Senior Independent Director fee – £2,000

Where indicated, the information provided in the following pages of this report has been audited by Deloitte LLP.

SINGLE FIGURE FOR TOTAL REMUNERATION (AUDITED INFORMATION)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 March 2015 and 2016.

	Salary/fees £		Benefits[1] £		Bonus £		Share Price Incentive bonus £		PSP awards £		Pension £		Total £	Total £
Director	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Executive Directors														
H R Chae	**396,975**	376,250	**27,074**	26,931	**396,975**	376,250	**395,000**	–	**1,930,000**	–	**79,395**	75,250	**3,225,419**	854,681
P Edwards	**239,428**	224,890	**11,920**	11,777	**241,710**	228,028	**228,028**	–	**1,101,148**	–	**47,886**	44,978	**1,870,120**	509,673
G S Hardcastle[2]	**40,833**	–	**1,823**	–	**–**	–	**–**	–	**–**	–	**8,167**	–	**50,823**	–
Non-Executive Directors														
J A S Wallace	**100,000**	100,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**100,000**	100,000
R J Perry	**42,000**	45,333	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42,000**	45,333
M C Buzzacott	**45,000**	44,583	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45,000**	44,583
M T Sawkins	**45,000**	11,250	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45,000**	11,250

[1] Benefits include all tax assessable benefits arising from the individual's employment, including car allowance, private healthcare and permanent health insurance
[2] Appointed as a Director 1 February 2016

ADDITIONAL DISCLOSURES FOR SINGLE FIGURE FOR TOTAL REMUNERATION TO 31 MARCH 2016

Salary

The Chief Executive's salary from 1 April to 31 December 2015 was £395,000 (on an annualised basis) and was increased by 2% to £402,900 per annum with effect from 1 January 2016, reflecting the continued success of the Group and his track record in the role. The Group Finance Director received an increase of 6% to £241,710 (on an annualised basis) from 1 June 2015, to reflect his strong personal performance in the role and his leadership. The Committee believes that the increases awarded to the Chief Executive and Group Finance Director are fair and in line with the good performance of the Group in the year under review and the continuing strong performance and leadership of the individuals. Graham Hardcastle was appointed as an Executive Director on 1 February 2016 and he assumed the role of Group Finance Director on 1 May 2016 on Paul Edwards' retirement from office. His salary is £245,000 on an annualised basis.

Pension contributions

The Company pays contributions to the nominated personal pension plans of the Executive Directors, or makes a cash in lieu supplement, in each case at a rate equal to 20% of salary.

Annual Performance Bonus

The 2016 bonus for the Executive Directors and Senior Executives was based on growth in the Group's trading profit measured against prior year. The actual target range has not been disclosed, as the Board considers this to be commercially sensitive information. The actual bonuses awarded to each Executive Director and Senior Executive were up to 100% of maximum potential bonus for the year.

LONG-TERM INCENTIVES

Performance Share Plan (PSP)

The Company adopted a PSP in 2004, which was replaced in 2011 by a new PSP adopted by the Company at the Annual General Meeting. Mr Chae holds 400,000 vested and unexercised options under the 2004 PSP, having exercised his option over 100,000 shares in December 2012. All other awards under the 2004 PSP have lapsed. Since 2011, all PSP awards have been made under the 2011 PSP.

PSP is a long-term incentive for Executive Directors, the Executive Team and key members of the Leadership Team. It is designed to encourage participants to deliver sustained profitable growth and enhanced shareholder value. The policy of granting awards based on up to 100% of salary is expected to be applied to the awards to the Executive Directors and other participants in the PSP in the financial year ending 31 March 2017. The single performance criterion used in the PSP is trading EPS, which the Committee believes is a fair and appropriate condition for rewarding participants as it aligns their interests with those of shareholders and, being measured over a three-year period, aligns the reward with the Company's strategy for growth by encouraging longer-term profitable growth. When determining the trading EPS growth, the impact of material acquisitions, disposals and changes in the issued share capital will be disregarded to ensure that they do not artificially impact the EPS measurement.

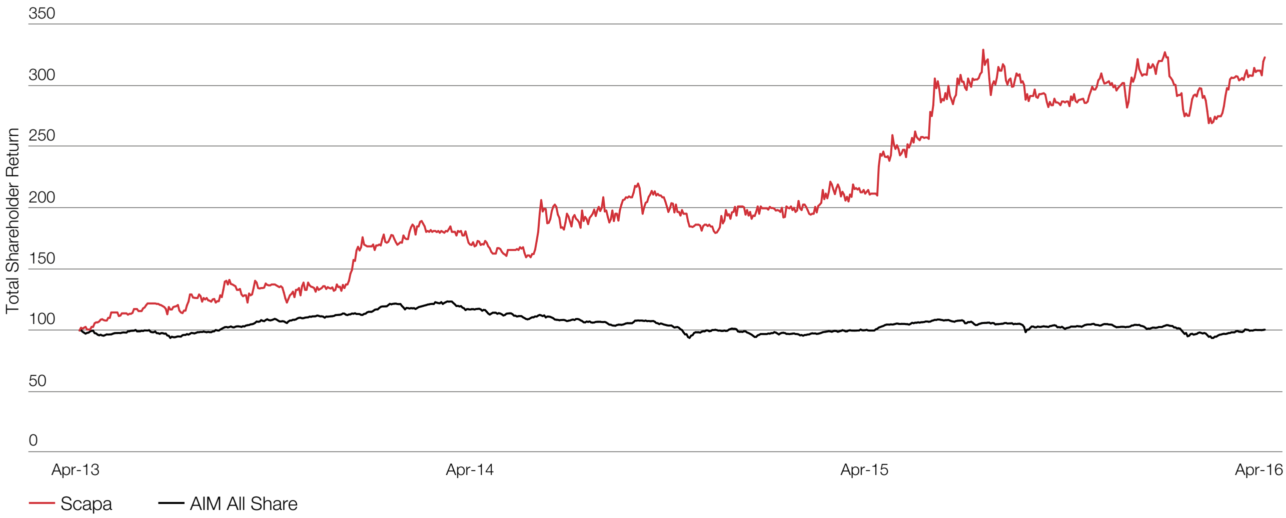
Awards granted in 2013 (audited information)

The PSP award in 2013 was based on adjusted EPS growth over the three-year period ending 31 March 2016. The adjusted EPS in March 2013 was 5.5p. The table below sets out achievement against targets for the EPS measure:

EPS target (p)	Award vesting (%)	Adjusted EPS achieved (p)	Resulting level of award (% of maximum opportunity)
3 year RPI +40%	100%	10.6p	100%

Total shareholder returns (three years)

The Company's share price over the three-year measurement period rose from 66.5p to 215p and market capitalisation grew from £97.4m to £322.6m, with £4.4m returned to shareholders by way of dividend.



Awards granted in 2015 (audited information)

The following PSP awards were made in the year to 31 March 2016:

Director	Number of shares awarded	Vesting date
H R Chae	192,683	22 July 2018
P Edwards	117,907	22 July 2018

Notes:

No variations were made to the terms of the awards in the year

The latest closing share price as at the date on which the awards were made, 22 July 2015, was 205.00p

The performance criteria for awards currently in issue but not vested are as follows:

	Adjusted 2014 EPS (p)	Award 2014* vesting	Adjusted 2015 EPS* (p)	Award 2015* vesting	Adjusted 2016 EPS* (p)	Award 2016* vesting
	3 year RPI +25%	25%	3 year RPI +25%	25%	3 year RPI +25%	25%
	3 year RPI +40%	100%	3 year RPI +40%	100%	3 year RPI +40%	100%
Adjusted EPS at	**31 March 2016**		**31 March 2017**		**31 March 2018**	

* Straight line vesting occurs between these points

The value of the PSP awards, based on the market price of the Company's shares on the day prior to the date of grant, does not exceed 100% of the base salary of the participant to whom the award has been made.

Value Creation Plan

The Group Chief Executive and Group Finance Director, together with the Executive Team, participate in the Scapa Group plc 2015 Value Creation Plan which was approved by shareholders in General Meeting on 16 November 2015 ('the Plan'). The Plan is intended to directly align Senior Executives' interests with those of shareholders by connecting remuneration specifically with shareholder value. Entitlements under the Plan were awarded in February 2016 and are set out below. The Plan includes an overall cap on the value of Company shares that can be delivered, as well as an 'off-set' mechanism whereby any shares that may be delivered under the Plan are reduced by the value of any shares that vest pursuant to awards made under the PSP in the financial years ending 31 March 2016, 2017 and 2018.

The Plan will reward participants for creating value through growth in the Company's share price in excess of £1.95 and up to £5.00 per share, measured on 31 March 2018 and 31 March 2020 (each a 'Measurement Date') and subject to gateway share price targets of £3.00 on the first Measurement Date and £4.00 on the second Measurement Date. If the gateway target is not met on the first Measurement Date, none of the awards will vest unless and until the gateway target of £4.00 is achieved on the second Measurement Date. For the purposes of the Plan, the share price on each Measurement Date will be the average closing price of the Company's shares over the 30-day period commencing on the Measurement Date. Awards vesting in respect of the first Measurement Date are subject to a 24-month holding period.

The maximum pool available to participants is 5% of the value created above a share price of £1.95 up to a share price of £5.00. Assuming there are no changes to the number of shares in issue during the life of the Plan (currently 150,033,428), if the share price increases to £5.00 or above, the Plan would pay out a maximum of approximately £22.9m ((150 million shares x 5%) x (£5.00 - £1.95)). The aggregate number of shares in respect of which awards would crystallise at that time would therefore be 4.6 million shares. The Group Chief Executive, who has been granted a 40% participation, would hold an option to acquire 1.8 million shares and the recently appointed Group Finance Director, who has been granted a 20% participation, would hold an option to acquire 0.9 million shares. These options would be reduced by the value of awards made under the PSP, as described above.

Awards granted in the year to 31 March 2016

Director	Proportion of Plan awarded	Latest vesting date
H R Chae	40%	30 April 2020
G S Hardcastle	20%	30 April 2020

Dilution limits

The Company's share plans are subject to dilution limits approved by shareholders at the Company's 2009 Annual General Meeting, that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital. On the assumption that all outstanding awards vest and will be exercised, and including all exercised awards as at 31 March 2016, the Company will have utilised 9.8% of the 10% in the ten years.

SAYE SCHEME (AUDITED INFORMATION)

During the year, the following SAYE share options were held and exercised by the Executive Directors:

Director	Shares under option at 31 March 2015	Granted during the year	Exercised during the year	Lapsed during the year	**Shares under option at 31 March 2016**
H R Chae	Nil	5,660	–	–	**5,660**
P Edwards	Nil	5,660	–	–	**5,660**

Note: these options, granted under an all-employee share scheme, are not subject to performance conditions

CHANGE IN REMUNERATION OF CHIEF EXECUTIVE COMPARED TO GROUP EMPLOYEES

The table below sets out the increase in remuneration of the Chief Executive and that of the Leadership Team, which comprises 29 employees (excluding new starters during the year).

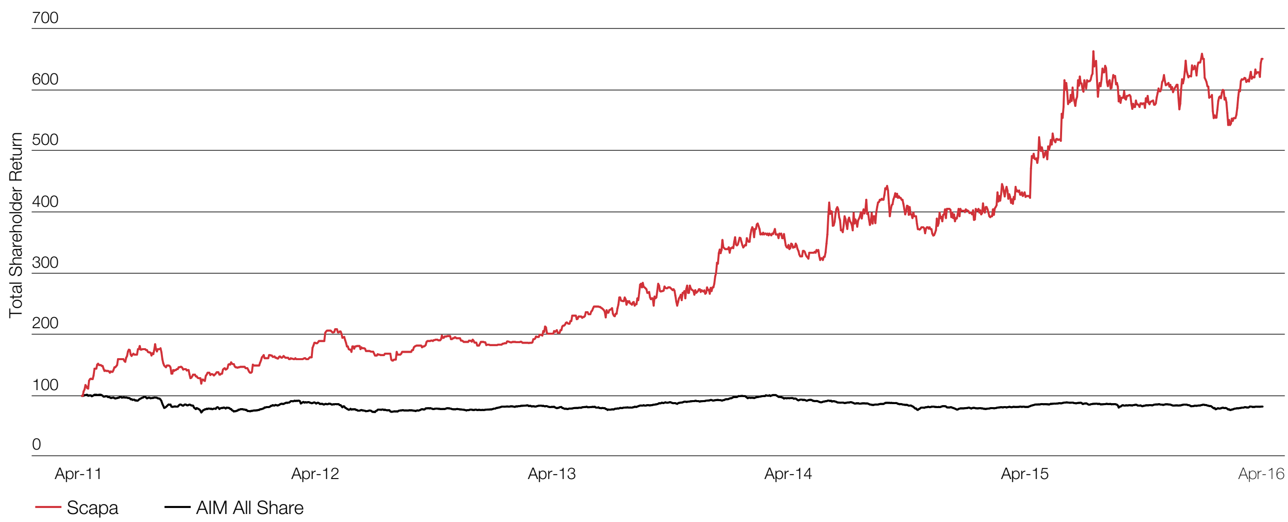
	Percentage change in remuneration in 2015 compared with remuneration in 2016	
	Chief Executive	Leadership Team
Salary/fees	5.5%	5.4%
Benefits	0.5%	–
Annual bonus	5.5%	12.5%
Total remuneration*	5.4%	7.6%

* Excludes share-based payments and share price incentives as these do not permit fair comparison with the Leadership Team

The Committee has selected the Leadership Team as the most relevant comparator group, taking into account the structure of remuneration and ability of the Leadership Team to earn a bonus in addition to receiving a base salary.

TOTAL SHAREHOLDER RETURNS (FIVE YEARS)

The graph below shows the Company's total shareholder returns (TSR) compared to the FTSE AIM All Share Index over the last five years. TSR is defined as share price growth plus reinvested dividends. The Directors consider the FTSE AIM All Share Index to be the most appropriate index against which the TSR of the Company should be measured because it is an index of similar size companies to Scapa Group plc.



HISTORICAL CHIEF EXECUTIVE REMUNERATION

The table below summarises the Chief Executive single figure for total remuneration outcomes over the last five years:

H R Chae	2012	2013	2014	2015	**2016**
Chief Executive single figure of remuneration (£)	598,288	993,945	1,169,004	854,681	**3,225,419**
Annual bonus payout (% of maximum opportunity)	66%	76%	100%	100%	**100%**
LTIP vesting (% of maximum opportunity)	n/a	100%	0%	0%	**100%**

DIRECTORS' SERVICE CONTRACTS

The following table sets out the details of the service contracts and letters of appointment for the Directors who were in office during the year under review:

Director	Effective date of service contract/letter of appointment	Unexpired term at 31 March 2016	Notice period
Executive Directors			
H R Chae	7 September 2009	–	12 months
P Edwards	20 September 2010	–	12 months by Company 6 months by Mr Edwards
G S Hardcastle	1 February 2016	–	6 months
Non-Executive Directors			
J A S Wallace	30 August 2007	2 years, 0 months	12 months
R J Perry	2 June 2005	1 year, 0 months	1 month
M C Buzzacott	1 March 2008	11 months	3 months
M T Sawkins	1 January 2015	2 years, 4 months	3 months

STATEMENT OF SHAREHOLDER VOTING

The results of the vote on the Remuneration report at the Company's 2015 Annual General Meeting are set out in the table below:

Votes cast		Votes for		Votes against	Votes withheld
Number	Number	%	Number	%	Number
82,706,202	79,891,016	96.60	2,815,186	3.40	13,762,605

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out the actual expenditure of the Company and difference in spend in 2015 and 2016 on total pay costs of the Group's employees, trading profit before income tax and distributions to shareholders:

	For the year to 31 March 2016 £m	For the year to 31 March 2015 £m	**% change**
Total employee pay	**64.3**	59.6	**7.9**
Trading profit	**21.3**	18.6	**14.5**
Dividend	**2.2**	1.5	**46.7**

DIRECTORS' SHAREHOLDINGS AND INTERESTS IN SHARES

The following table sets out the shareholdings and beneficial interests of the Directors and their connected persons in Scapa's shares as at 31 March 2016:

	31 March 2016					31 March 2015			
	Shares		**SAYE**	**Performance Share Plan**		Shares	SAYE	Performance Share Plan	
H R Chae	**941,803**	**2015/16**	**5,660**	**2009/10**	**400,000**	536,835	–	2009/10	400,000
				2010/11	**–**			2010/11	–
				2011/12	**–**			2011/12	–
				2012/13	**–**			2012/13	1,000,000
				2013/14	**425,000**			2013/14	425,000
				2014/15	**336,364**			2014/15	336,364
				2015/16	**192,683**				
P Edwards	**597,719**	**2015/16**	**5,660**	**2010/11**	**–**	296,679	–	2010/11	–
				2011/12	**–**			2011/12	–
				2012/13	**–**			2012/13	570,543
				2013/14	**262,500**			2013/14	262,500
				2014/15	**207,273**			2014/15	207,273
				2015/16	**117,907**				
G S Hardcastle[1]	**–**	**2015/16**	**–**	**2015/16**	**–**	–	–	–	–
J A S Wallace	**870,000**					870,000			
R J Perry	**300,000**					350,000			
M C Buzzacott	**250,000**					250,000			
M T Sawkins	**30,000**					30,000			
	2,989,522		**11,320**		**1,941,727**	2,333,514	–		3,201,680

[1] Appointed as a Director 1 February 2016

LOSS OF OFFICE PAYMENTS

Loss of office payments are made in line with a Director's individual service contract. No loss of office payments were made during the year. No payments have been made to the Directors that are not included in the single figure of remuneration set out previously.

MOVEMENTS IN SHARE PRICE DURING THE YEAR

The mid-market price of the Company's shares at the end of the financial year was 215.0p and the range of mid-market prices during the year was between 139.9p and 219.1p.

ADVICE RECEIVED BY THE COMMITTEE

The Committee has access to advice when it considers appropriate. In the year ended 31 March 2016, the Committee received material assistance and advice from the Group HR Director and the Company Secretary. The Committee also received advice relating to specific Executive compensation from Deloitte LLP who were paid £49,000.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Components of remuneration

Effective from 1 January 2016, the salary of the Chief Executive is £402,900 and will be reviewed with effect from 1 January 2017.

The salary of Paul Edwards was £241,710 with effect from 1 June 2015. Mr Edwards retired from the Board on 30 April 2016. He will be entitled to receive an annual bonus in respect of financial year ending 31 March 2016 at the rate of 100% of salary, which will be paid in June 2016. Mr Edwards will also be entitled to exercise awards made under the PSP in 2013, to the extent they vest in July 2016. All other awards under the PSP and SAYE will lapse on the date he ceases to be employed by the Company and he will not be entitled to participate in the FY2017 bonus scheme.

The salary of Graham Hardcastle is £245,000 with effect from 1 February 2016.

Pension and benefits are in line with policy.

There was no change to the maximum opportunity under the Company's annual bonus plan. The performance measure remains growth in Group trading profit. Targets are not disclosed, as the Board considers the nature of that information to be commercially sensitive.

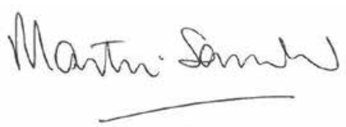
There was no change in the maximum PSP opportunity for the Executive Directors; awards of 100% of salary are expected to be made in 2016 to Heejae Chae and Graham Hardcastle. Performance will be assessed against growth in adjusted EPS over the three-year period ending 31 March 2019, as follows:

Adjusted EPS (p)	Award 2016 vesting
3 year RPI +25%	25%
3 year RPI +40%	100%
31 March 2019	

Note: Straight-line vesting occurs between these points

Non-Executive Directors will be paid a base fee of £40,000 per annum plus £5,000 for chairing a Board Committee and £2,000 for the Senior Independent Director. The Chairman's fee will remain at £100,000 per annum, which includes a fee for chairing the Nominations Committee.

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 24 May 2016 and signed on its behalf by:



M T SAWKINS
Chairman of the
Remuneration Committee
24 May 2016

OTHER DISCLOSURES

Pages 66 to 68 inclusive (together with sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Scapa Group plc is the holding company for a global group of companies operating in the manufacture of bonding products and adhesive components for applications in the healthcare and industrial markets. A review of the performance and future development of the Group's business is contained on pages 1 to 35 and forms part of this report.

RESULTS AND DIVIDENDS

Trading profit was £21.3m (2015: £18.6m), an increase of £2.7m. Exceptional charges in the year were £6.6m (2015: £0.5m). No interim dividend was paid to shareholders (2015: £Nil). The Directors recommend payment of a final dividend of 1.75p (2015: 1.5p).

A profit before tax of £9.8m (2015: £13.7m) was recorded for the year ended 31 March 2016, with basic and diluted earnings per share of 4.1p and 3.9p respectively (2015: 6.5p and 6.2p respectively).

GOING CONCERN

In presenting the annual and interim financial statements, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the committed facility and assume that the facility can be operated as contracted for the foreseeable future because there is sufficient headroom in the facility covenants. In performing this analysis the Directors reviewed downside sensitivity analysis over the forecast period thereby taking into account the uncertainties arising from the current economic climate. The Group continues to adopt the going concern basis in preparing the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 19 July 2016 at the Village Hotel, Pamir Drive, Ashton-under-Lyne, Tameside, Manchester OL7 0PG. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in a separate document.

SHARE CAPITAL

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in notes 25 and 26 to the Company financial statements on pages 109 to 110. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at General Meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Subject to the provisions of the Company's Articles of Association and the Companies Act 2006, at a General Meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 19 July 2016 are set out in the Notice of Annual General Meeting.

SHARE OPTIONS

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in notes 25 and 26 to the Company financial statements.

PURCHASE OF OWN SHARES

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

SIGNIFICANT AGREEMENTS: CHANGE OF CONTROL

All of the Company's current share plans contain provisions relating to a change of control. On a change of control, outstanding awards would normally vest and become exercisable, subject to the satisfaction of any performance conditions at that time.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office on a change of control.

TAKEOVER DIRECTIVE

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual Directors' holdings is disclosed on page 64. There are no other significant holdings of any individual.

BOARD OF DIRECTORS

The names of the present Directors and their biographical details are shown on pages 38 and 39.

At the Annual General Meeting, to be held on 19 July 2016, Graham Hardcastle will offer himself for election. All other members of the Board, with the exception of Mike Buzzacott, will offer themselves for re-election.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association, which can be found at www.scapa.com/en/CorporateGovernance and the Corporate Governance Statement on page 40.

EMPLOYEES AND EMPLOYMENT POLICIES

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

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

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

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

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

The 2012 Sharesave five-year share option scheme will mature on 1 March 2017. At 31 March 2016, five employees were members of the scheme with options over 45,773 shares (none of these include the Executive Directors).

A three-year Sharesave share option scheme was offered to all UK employees in the financial year ending 31 March 2016. At 31 March 2016, 152 employees were members of the scheme with options over 501,556 shares. Details of the Executive Directors' options are set out on page 64.

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

The Company and all senior employees are formally subscribed to a Code of Conduct to document and confirm such compliance.

GREENHOUSE GAS EMISSIONS
Information regarding the Company's use of greenhouse gas emissions is described in the Sustainability Report on page 35.

RESEARCH AND DEVELOPMENT
The Group's spend on research and development is disclosed in note 3 to the Company financial statements and is focused on developing new derivative product applications for addressing and resolving customer and market requirements.

FINANCIAL RISK MANAGEMENT
The Group's approach to managing financial risk is covered in note 21 to the Company financial statements.

POLITICAL DONATIONS
No political donations were made during the year (2015: £Nil).

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

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

UK CORPORATE GOVERNANCE CODE
The Company's statement on Corporate Governance can be found in the Corporate Governance Report on pages 40 to 44. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

By order of the Board

R L SMITH
Company Secretary
24 May 2016

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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently
> make judgements and accounting estimates that are reasonable and prudent
> state whether applicable Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements
> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, IAS 1 requires that Directors:

> properly select and apply accounting policies
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
> provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
> make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

> the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
> the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
> the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

H R CHAE
Group Chief Executive
24 May 2016

G S HARDCASTLE
Group Finance Director
24 May 2016

Opinion on financial statements of Scapa Group plc

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
> the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Group and Parent Company Accounting Policies, the related Consolidated notes 1 to 30 and the Parent Company notes 1 to 16.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the accounting policies on page 79 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 19.

We have nothing material to add or draw attention to in relation to:

> the directors' confirmation on page 19 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
> the disclosures on pages 15-18 that describe those risks and explain how they are being managed or mitigated;
> the directors' statement in the accounting policies note to the financial statements on page 79 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
> the directors' explanation on page 19 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described on the following page are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
INVENTORY VALUATION	
Inventory is a significant balance sheet caption with gross inventory balances of £29.5 million (2015: £27.4 million) and provisions of £2.4 million (2015: £2.6 million) held by the Group at the year end. There is a specific risk arising in relation to the existence of the goods and the valuation of inventory (both in terms of the gross cost and the provisions held against it) as disclosed in note 16. The calculation to determine the standard cost of inventory is complex, in particular the estimates involved in the calculation of overhead absorption rates in work in progress and finished goods. Judgement is also needed to calculate the level of inventory provisions for aged, obsolete and/or damaged stock to ensure that the inventory held by the Group is held at the lower of cost and net realisable value in line with the requirements of IAS 2. There is also a risk over the existence of the Group's inventories given the number of worldwide locations holding inventory and the relative ease at which inventory can be moved.	We performed tests of detail to confirm that inventory is valued at the lower of cost and net realisable value, through testing of raw material costs, labour and overhead absorption into inventory and post period end sales values. In addition we challenged the appropriateness of the Group's inventory provisioning policy by assessing inventory ageing profiles and comparing the historical levels of write offs against the amounts provided. We also attended year-end inventory counts, covering £28.1 million (2015: £25.8 million) of the year end gross inventory balance. At the inventory counts, along with other procedures, we assessed the condition of inventory to evaluate the adequacy of inventory provisions for obsolete and damaged goods.
EXCEPTIONAL ITEMS	
There is a significant number of items identified as exceptional by the Group in the current year. The disclosure of exceptional items and their presentation in the income statement represents an audit risk given the level of management judgement involved. Management's policy for the recognition of items as exceptional is disclosed in the accounting policies on page 81. A large proportion of the costs are estimates in relation to the planned closure of the factory in Switzerland and related write-off of assets held at the factory. These estimates are judgemental in nature, there is therefore also a risk that the items are not accurately measured and disclosed. In the current year there is a net charge of £6.6 million (2015: £0.5 million) for exceptional items in the income statement as disclosed in note 4. This comprises costs of £8.7 million (2015: £0.5 million) and income of £2.1 million (2015: £nil). £1.6 million (2015: £nil) relates to the settlement gains from pension scheme curtailments in the year and there is risk regarding the calculation of the gain in the year based on the value of assets and liabilities extinguished.	In addition to understanding the composition of exceptional items and agreeing a sample of items to supporting documentation, we challenged management's rationale for the presentation of items within the income statement as exceptional. This includes assessing the incremental nature of the costs, the extent to which the costs are non-recurring, whether they are specific to individual projects and considering whether they should be classified as part of underlying operations. For asset write-off costs in the year we reviewed and challenged the assumptions in management's discounted future cash flows which support the year end value of assets held on balance sheet. We also used our pension specialists to review the calculation and treatment of the pension settlement gains recognised in the current year.
RETIREMENT BENEFITS	
The Group has a net deficit on its retirement benefit schemes of £27.5 million (2015: £39.8 million). This risk concerns the appropriateness of actuarial assumptions in calculating the Group's IAS 19(r) liability. The valuation of the Group's IAS 19(r) deficit involves significant judgement as described in note 24, in particular in relation to the discount rate, inflation and mortality assumptions, further details of which can be found in point 2 of the Critical Accounting Estimates and Judgements on page 86.	We have considered the appropriateness of the assumptions underpinning the valuation of pension scheme liabilities provided by the Group's actuary. Specifically we challenged the discount rate, inflation and mortality assumptions applied in calculating the scheme liabilities by using our internal pension specialists to assess and benchmark the assumptions applied against comparable third party data. We assessed the competence of the Group's actuary and assessed whether the requirements of IAS 19(r) are met in accounting for the pension scheme.

Risk	How the scope of our audit responded to the risk
CARRYING VALUE OF GOODWILL AND INVESTMENTS IN SUBSIDIARIES	
The Group has £34.7 million (2015: £33.9 million) of goodwill in relation to Acutek, Webtec and First Water. The Group also holds intangible assets in relation to the acquisition of Webtec of £1.0 million (2015: £2.4 million) and First Water of £2.4 million (2015: £3.2 million). The carrying value of the parent company's investments at 31 March 2016 is £135.5 million (2015: £134.4 million). The impairment risk relates to the significant judgments and estimates required in calculating the discounted future cash flows of each of the relevant cash generating units which support the value of the goodwill balance as described in note 12 and the investments in subsidiaries in the Parent Company's Balance Sheet as described in note 6 with particular attention to cash flow, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in management's impairment model for goodwill and investments. As part of our procedures we tested the clerical accuracy of the models and assessed whether they have been prepared on a consistent basis with the prior year. We also considered historical trading performance by comparing recent growth rates of both revenue and operating profit across the Group's geographical and market segments, assessing the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations. In performing our procedures we used internal valuation specialists and third party evidence to assess the appropriateness of the discount rates applied. We reviewed the disclosures in the financial statements around the goodwill impairment tests to assess whether they comply with IAS 36 'Impairment of assets' in particular in relation to the growth rates and discount rates used as part of the model.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on pages 46 and 47.

Last year our report included two other risks which are not included in our report this year: acquisition accounting (there have been no acquisitions in the year) and deferred tax asset recognition (the level of deferred tax assets held by the Group as well as the judgements in relation to their potential future utilisation have decreased in the year).

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £775,000 (2015: £700,000), which is 4.3% of adjusted profit before tax. Profit before tax is used as the benchmark for materiality as it is considered the critical performance measure of the Group. In the current year profit before tax has been adjusted for one-off exceptional items in the year, being site closure costs, asset write-offs, post-combination remuneration and reorganisation costs as disclosed in note 4 of the accounts. Last year, materiality was set at 5.1% of profit before tax.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £10,000 (2015: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at nine (2015: nine) components. The structure of the Group's finance function is such that certain transactions are accounted for at the central European shared service centre based in the United Kingdom, where we centralised elements of our audit work, with the remainder accounted for in the operating units or at consolidation level. Given the nature of the Group's corporate structure, where all evidence relating to each component is compiled at the Group's central European shared service centre, the Group audit team undertook all the audit work for three of the European full scope components. In addition the Group audit team performed audit work for the US and Canadian locations and visited those components. The work on all five of these full scope components was led by the senior statutory auditor. Eight (2015: seven) of the components were subject to a full audit, whilst one (2015: two) was subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. In terms of the three full scope components, for which the audit work was not lead by the senior statutory auditor we included the component audit teams in our team briefing, discussed their risk assessment and reviewed documentation of the findings from their work. The components which were subject to a full scope audit represent the principal business units and account for 95% (2015: 92%) of the Group's revenue, 96% (2015: 96%) of the Group's net assets and 101% (2015: 96%) of the Group's profit before tax (offset on consolidation by losses elsewhere in the Group). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The other component subject to more limited audit procedures covers a further 1.5% (2015: 4.0%) of the Group's revenue. At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. Our audit work at the nine components was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £80,000 to £542,500 (2015: £350,000 to £600,000).
Opinion on other matter prescribed by the Companies Act 2006	In our opinion information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: > we have not received all the information and explanations we require for our audit; or > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or > the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made. We have nothing to report arising from this matter.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

> materially inconsistent with the information in the audited financial statements; or
> apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
> otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matters

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PATRICK LOFTUS (SENIOR STATUTORY AUDITOR)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
24 May 2016

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	1	**246.7**	236.0
Operating profit	1, 3	**11.7**	16.0
Trading profit*		**21.3**	18.6
Amortisation of intangible assets		**(2.3)**	(1.4)
Exceptional items	4	**(6.6)**	(0.5)
Pension administration costs		**(0.7)**	(0.7)
Operating profit		**11.7**	16.0
Finance costs	8	**(1.9)**	(2.3)
Profit on ordinary activities before tax		**9.8**	13.7
Taxation charge	9	**(3.7)**	(4.2)
Profit for the year		**6.1**	9.5
Weighted average number of shares	10	**148.3**	146.8
Basic earnings per share (p)	10	**4.1**	6.5
Diluted earnings per share (p)	10	**3.9**	6.2
Adjusted earnings per share (p)**	10	**10.6**	9.1

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

All on continuing operations	note	**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)	24	**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

The notes on pages 87 to 114 form part of these accounts.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

	note	31 March 2016 £m	31 March 2015 £m
Assets			
Non-current assets			
Goodwill	12	**34.7**	33.9
Intangible assets	13	**3.4**	5.6
Property, plant and equipment	14	**46.1**	42.0
Deferred tax asset	9	**7.6**	9.1
		91.8	90.6
Current assets			
Assets classified as held for sale	15	**–**	–
Inventory	16	**27.1**	24.8
Trade and other receivables	17	**47.9**	46.0
Current tax asset		**0.6**	0.4
Cash and cash equivalents	18	**18.7**	16.7
		94.3	87.9
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	20	**(1.0)**	(1.3)
Trade and other payables	19	**(45.2)**	(44.8)
Deferred consideration		**(0.1)**	(0.1)
Current tax liabilities		**(0.2)**	(0.9)
Provisions	23	**(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	20	**(20.3)**	(18.8)
Trade and other payables	19	**(0.2)**	(0.2)
Deferred consideration		**(0.1)**	(0.1)
Deferred tax liabilities	9	**(6.4)**	(6.5)
Non-current tax liabilities		**(2.0)**	(1.8)
Retirement benefit obligations	24	**(27.5)**	(39.8)
Provisions	23	**(1.5)**	(1.4)
		(58.0)	(68.6)
Net assets		**77.7**	61.8
Shareholders' equity			
Ordinary shares	25	**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

The notes on pages 87 to 114 form part of these accounts. These accounts were approved by the Directors on 24 May 2016.

H R CHAE
Group Chief Executive

G S HARDCASTLE
Group Finance Director

Registered in England No. 826179

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	27	**16.5**	17.6
Cash generated from operations before exceptional items	27	**19.0**	18.3
Cash outflows from exceptional items	27	**(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	18	**18.7**	16.7

Scapa Group plc (‘the Company’) and its subsidiaries (together ‘the Group’) manufacture bonding products and adhesive components for applications in the healthcare and industrial markets. The Group has manufacturing plants around the world and sells mainly in countries within Europe, North America and Asia.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 24 May 2016.

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

BASIS OF PREPARATION

The consolidated financial statements of Scapa Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the Income Statement.

GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors’ Report on page 66 and in the Viability Statement on page 19.

EARLY ADOPTION OF STANDARDS

The Group has not early adopted any Standards.

ADOPTION OF NEW AND REVISED STANDARDS

The Group has applied IFRIC 21 Levies for the first time in the year. IFRIC 21 addresses when a liability to pay a levy imposed by a government should be recognised.

In addition, the following amendments have been adopted in the year:

IFRS 1 “Clarification of the meaning of ‘effective IFRSs’”

IFRS 3 “Clarification of the scope exclusion for joint ventures”

IFRS 13 “Clarification of the scope of the portfolio exemption”

IAS 40 “Clarification of the relationship between IFRS 3 and IAS 40”

IAS 19 “Defined benefit plans: employee contributions”

Annual improvements to IFRSs 2010-2012 cycle (Dec 2014)

Annual improvements to IFRSs 2011-2013 cycle (Dec 2013)

The above interpretations and revised standard have not had any material impact on the amounts reported in these financial statements or the disclosures required.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial instruments

IFRS 14 Regulatory deferral accounts

IFRS 15 Revenue from contracts with customers

IFRS 16 Leases

Amendments to IAS 1 Disclosure initiative

Amendments to IFRS 10, IFRS 12 and IAS 28 The application of the investment entities exemptions

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Amendments to IFRS 11 Accounting for acquisitions of interest in joint operations

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation

Amendments to IAS 27 Equity method in separate financial statements

Annual improvements to IFRSs 2012-2014 cycle (Sep 2014)

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

IFRS 9 will impact both the measurement and disclosures of financial instruments;

IFRS 15 may have an impact on revenue disclosures and is unlikely to impact significantly the financial statements; and,

IFRS 16 will impact the recognition, measurement and disclosure of operating leases. It is considered that a material amount of lease assets and liabilities will require recognition on the Group balance sheet. It is anticipated that finance charges will require reclassification in the Group income statement.

Beyond the information above, it is not practicable to provide a reasonable financial estimate of the effect of these standards until a detailed review has been completed.

CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Company gains control of the subsidiary or until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation.

The Group has an interest in Scapa Scottish Limited Partnership, whose head office is located at 13 Queens Road, Aberdeen. The financial statements of the Group include the results and financial position of the Group's interest in Scapa Scottish Limited Partnership. Accordingly advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008 from the requirements for the preparation, delivery and publication of the partnership's accounts.

SEGMENTAL REPORTING

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision maker. The Group adopts this policy and the chief operating decision maker has been identified as the Board of Directors. The Directors consider there to be two reportable segments, being the main customer groups which the Group serves in: Industrial and Healthcare (business units).

Internal reports reviewed regularly by the Board provide information to allow the chief operating decision maker to allocate resources and make decisions about the operations. The internal reporting focuses on these business units. 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. Trading profit is reconciled to operating profit on the face of the Income Statement.

REVENUE RECOGNITION

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

(a) Sales of goods

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

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

(b) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

TRADING PROFIT

Trading profit is operating profit before amortisation of intangible assets, exceptional items and pension administration costs.

EXCEPTIONAL ITEMS
Items which are both material, either qualitatively or quantitatively, and non-recurring in nature are presented as exceptional items so as to provide a better indication of the Group's underlying business performance and are shown separately on the face of the Income Statement. Items classed as exceptional in the Income Statement are treated as exceptional in the cash flow until the items are fully unwound.

OPERATING PROFIT
Operating profit is trading profit stated after charging all exceptional costs, pension administration costs and the amortisation of intangible assets, but before investment income and finance costs.

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

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

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

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

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

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

Development costs are assessed as to whether they meet the IAS 38 criteria for capitalisation. An internally generated intangible asset is recognised only if all of the following conditions are met:

> Technical feasibility and intention to complete the intangible asset so that it is available for use
> An asset has been created that can be identified
> Ability to use or sell the asset
> It is probable that the asset created will generate future economic benefits
> The development cost of the asset can be measured reliably

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

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of long-term borrowings that are considered to form part of that net investment, are taken to the translation reserve within shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

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

BUSINESS COMBINATIONS AND GOODWILL

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred, and are normally treated as exceptional.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each site.

PROPERTY, PLANT AND EQUIPMENT (INCLUDING LAND AND BUILDINGS)

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

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

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

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

Assets held in the course of construction are not depreciated until they are brought into use.

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

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

ASSETS HELD FOR SALE

Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale or transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain interest in its former subsidiary after the sale.

INTERNALLY GENERATED INTANGIBLE ASSETS

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Internally generated intangible assets arising from development are recognised only if all of the following conditions have been demonstrated:

> Technical feasibility of completing the intangible asset so that it will be available for use
> The intention to complete and use the asset
> How the asset will generate probable future economic benefit
> The availability of adequate technical, financial and other resources to complete the development and to use the asset
> The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the same as the expenditure incurred from the date when the asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment.

INTANGIBLE ASSETS

All acquired intangible assets are measured at cost and are amortised on a straight-line basis over their estimated useful lives. All of the Group's intangible assets have finite lives, the lengths of which are disclosed separately under the notes in the accounts.

IMPAIRMENT OF ASSETS

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

Value in use is determined based on the estimated future cash inflows and outflows derived from the continued use of the asset and from its ultimate disposal. These forecasts form the basis of the Group's annual budget, have been signed off by the Board and are the best estimates available to management in assessing future profitability. These cash flows are discounted using the Group's pre-tax weighted average cost of capital of 10.0% (2015: 10.0%), adjusted to reflect any risks specific to the asset for which the estimated future cash flows have not already been adjusted (see note 12).

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

FINANCIAL INSTRUMENTS

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

(a) Financial assets and liabilities measured at fair value through profit and loss

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

(b) Loans, receivables and payables

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

INVENTORIES

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

TRADE RECEIVABLES

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

INSURANCE RECEIVABLES

Where some or all of the cost of a provision is reimbursed by another party, the Group recognises that reimbursement when it is virtually certain it will be received.

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

Ordinary shares are classified as equity.

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

TRADE PAYABLES

Trade payables are recognised at the invoice amount, which is equal to their fair value.

BORROWINGS

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

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

TAXATION

Taxation expense, comprising both UK and non-UK taxation, represents the sum of the current tax payable and deferred tax.

Current tax is the tax expected to be payable on taxable profit for the period using tax rates that have been enacted or substantively enacted by the Balance Sheet date, together with any adjustments in respect of previous years. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are not taxable or deductible or are taxable or deductible in other years.

Deferred tax is recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, unless specifically exempt. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised. The resulting charge or credit is recognised in the Income Statement except when it relates to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

DIVIDENDS

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

EMPLOYEE BENEFITS

(a) Pension obligations

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

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

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

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

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is calculated using appropriate valuation models and is recognised as an expense over the vesting period.

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

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

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

(c) Holiday pay

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

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a pre-determined formula for key performance indicators. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(e) Share Price Incentive Plan

The Group accounts for the Share Price Incentive Plan in line with IAS 19 as the basis of compensation is not an award of shares and therefore does not fall under the remit of IFRS 2.

PROVISIONS

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

1. Impairment of goodwill, intangible assets and property, plant and equipment (see notes 12 and 14). The Group tests annually whether goodwill has suffered any impairment, and tests tangible assets where indication of impairment exists. For goodwill the recoverable amounts of cash-generating units are determined on a value-in-use basis. Determining this value requires the use of estimates. The main estimates are around the forecast cash flows, which are based on approved budgets and growth rates of 3%–10% per annum in years 1–5 and no growth thereafter. The 3% growth rate is used for the majority of cash flows and the higher rate of 10% is used for a specific cash-generating unit. The assumptions used are considered the best available and reasonable. Any reasonable change in the assumptions would not result in any impairment.

2. Retirement benefit liabilities – the key assumptions used to calculate the pensions deficit and the sensitivity of those assumptions to change is contained within note 24. The assumptions used are considered the best available and reasonable.

3. Taxation (see note 9). The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provisions for income taxes and the recognition of deferred tax assets. The recognition of deferred tax is based on the availability of suitable future taxable profits of a specific business unit in a specific tax jurisdiction and satisfies the relevant recognition criteria. The assumptions used are considered the best available and reasonable. A significant deterioration in results would need to occur in order to result in an impairment of the deferred tax recognised.

1. 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.

1. SEGMENTAL REPORTING CONTINUED

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

2. 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

2. SEGMENT ASSETS AND LIABILITIES CONTINUED

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

* Non-current assets excluding deferred tax assets

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

3. 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)

3. OPERATING PROFIT CONTINUED

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).

4. 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 15).

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 continued production within the Group.

4. EXCEPTIONAL ITEMS CONTINUED

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 in order 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.

5. 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 (note 24)	**1.9**	2.0
Pension costs – defined benefit plans (note 24)	**0.4**	0.1
	64.3	59.6
Pension curtailments and service costs (note 4)	**(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

6. KEY MANAGEMENT COMPENSATION AND DIRECTORS' REMUNERATION

	2016				2015			
	Executive Directors £m	**Non-Executive Directors £m**	**Key management £m**	**Total £m**	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m
Short-term employment benefits	**1.7**	**0.3**	**2.1**	**4.1**	1.5	0.2	2.1	3.8
Post-employment benefits	**0.1**	**–**	**0.1**	**0.2**	0.1	–	0.1	0.2
Termination benefits	**–**	**–**	**0.2**	**0.2**	–	–	–	–
Share-based payments (including share incentive plan)	**0.8**	**–**	**0.8**	**1.6**	1.2	–	0.7	1.9
	2.6	**0.3**	**3.2**	**6.1**	2.8	0.2	2.9	5.9

Key management is considered by the Group to be the Executive Team, which comprises certain senior employees. Information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 59 to 65.

The short-term employment benefits include wages and salaries, bonuses, social security contributions and non-monetary benefits.

7. RELATED PARTY TRANSACTIONS

In the period the Group paid £2.0m (2015: £Nil) of post combination remuneration to the former owners, now employees of First Water Limited.

8. 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)

9. 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)

9. TAXATION CONTINUED

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)

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

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 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

10. 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

11. DIVIDEND PER SHARE

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

12. 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.

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 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 (years)	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.

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 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.

14. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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.

15. 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.

16. 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.

17. 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

17. TRADE AND OTHER RECEIVABLES CONTINUED

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

18. 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

19. 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.

20. 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

20. BORROWINGS CONTINUED

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 accordion of £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 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) (see note 21).

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

– Foreign exchange risk

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

To manage its foreign exchange risk the Group uses foreign currency bank balances, and makes occasional use of foreign currency forward contracts to avoid short-term fluctuations in currencies. In addition, purchases of large items of capital in foreign currency are covered by forward contracts at the point of authorisation.

21. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

– Interest rate risk

The Group is exposed to interest rate risk as it has borrowings at floating rates. Interest rate risk is evaluated periodically to consider interest rate views and defined risk appetite; to seek to ensure that reasonable economic strategies are applied, by either positioning the Balance Sheet or protecting interest expense through different interest rate cycles. Deposit risk is managed by spreading deposits across high credit rated institutions, and capping the maximum deposit with an institution at one time.

– Commodity price risk

The Group is exposed to commodity price risk as it buys a number of commodity products that are vital to its production process. The Group mitigates this risk by fixing pricing with its suppliers where possible. The contracts entered into continue to be held for the purpose of the receipt of the commodity in accordance with the Group's expected purchase or usage requirements. There is no intention to re-sell the commodities bought.

– Liquidity risk

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

Liquidity tables

The following tables detail the Group's contractual maturity for financial instruments. The tables are drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Due within one year £m	One to two years £m	Two to five years £m
2016			
Trade payables and trade accruals	30.0	–	–
Other taxes and social security	4.5	–	–
Other creditors	10.7	0.2	–
Finance leases	0.1	0.1	–
Loans and overdrafts	0.9	–	20.2
	46.2	**0.3**	**20.2**

21. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

	Due within one year £m	One to two years £m	Two to five years £m
2015			
Trade payables and trade accruals	29.5	–	–
Other taxes and social security	4.1	–	–
Other creditors	11.2	0.2	–
Finance leases	0.1	0.2	–
Loans and overdrafts	1.2	–	18.6
	46.1	0.4	18.6

There are no items with a maturity greater than five years. The bank loans in the above tables are stated after any unamortised arrangement costs.

The following tables detail the Group's contractual maturity for financial assets. The tables are drawn up based on the undiscounted contracted maturities of those financial assets.

	Due within one year £m	One to two years £m	Two to five years £m
2016			
Receivables	47.9	–	–
Cash and cash equivalents	18.7	–	–
	66.6	**–**	**–**
2015			
Receivables	46.0	–	–
Cash and cash equivalents	16.7	–	–
	62.7	–	–

In accordance with IFRS 7 Improving Disclosures about Financial Instruments, the Group's financial instruments are considered to be classified as Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are spread across a number of financial institutions. The European and North American businesses obtain third party credit insurance on worldwide sales, subject to specific exclusions, excesses and total policy limits.

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

Europe

The top five customers by balance at 31 March 2016 had a total receivable of £2.3m, versus their cumulative credit limit of £3.8m. The top five customers at 31 March 2015 had a total receivable of £1.8m, versus their cumulative credit limit of £2.4m.

North America

The top five customers by balance at 31 March 2016 had a total receivable of £10.9m, versus their cumulative credit limit of £19.2m. The top five customers at 31 March 2015 had a total receivable of £9.5m, versus their cumulative credit limit of £19.1m.

Asia

The top five customers by balance at 31 March 2016 had a total receivable of £1.3m, versus their cumulative credit limit of £1.4m. The top five customers at 31 March 2015 had a total receivable of £1.6m, versus their cumulative credit limit of £1.6m.

22. CAPITAL RISK

The Group defines the capital that it manages as the Group's total equity. The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group must ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payments as they fall due. In order to ensure that sufficient capital is available, the Group may adjust the amount of new shares issued, return capital to shareholders, alter its dividend policy or dispose of assets to reduce net debt.

The Group monitors capital using the following main indicators:

Gearing ratio	2016	2015
Total equity (£m)	**77.7**	61.8
Total assets (£m)	**186.1**	178.5
Equity % ratio	**42%**	35%

Net debt to EBITDA ratio	2016	2015
Net debt (£m)	**(2.6)**	(3.4)
EBITDA (£m)	**26.5**	23.8
Net debt to EBITDA ratio	**0.10**	0.14

Net debt to EBITDA comprises net debt divided by operating profit before depreciation, amortisation and impairment charges.

EBITDA interest cover	2016	2015
EBITDA (£m)	**26.5**	23.8
Net interest payable (£m)	**(0.7)**	(0.7)
Interest cover – times	**38**	34

EBITDA interest cover comprises trading profit before depreciation, divided by net interest payable on bank overdrafts and loans, other loans and bank deposits.

The Group's principal loan covenants are: EBITDA interest cover (EBITDA being at least 4 times the net interest payable); and net debt to EBITDA ratio (net debt being less than 2.75 times adjusted EBITDA, reducing over time to 2.5).

23. 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**

23. PROVISIONS CONTINUED

	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.

24. RETIREMENT BENEFIT OBLIGATIONS

– Defined contribution schemes

The Group operates a number of defined contribution schemes. Employer's contributions are charged to the Income Statement as incurred. The total pension cost for the Group in respect of these schemes for the year ended 31 March 2016 was £1.9m (2015: £2.0m). The assets of these schemes are held in independently administered funds.

– Defined benefit schemes

The total amounts recognised in the Group financial statements for defined benefit schemes are summarised on pages 104 to 109.

a) UK schemes

By far the largest defined benefit scheme in the Group is the Scapa Group plc Pension Scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employer, Scapa Group plc. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional trustee.

The IAS 19 Retirement Benefits valuations have been updated from the prior year using formal valuation calculations carried out as at 1 April 2014, in order to assess the liabilities of the schemes at 31 March 2016. Scheme assets are stated at their market value at 31 March 2016.

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

– Funding arrangement

On 11 March 2013 Scapa Group plc agreed an asset-backed funding arrangement with the Trustees of the UK Pension Funds to help address the UK pension funding deficit. The asset backed funding structure provided £3.75m cash per annum to the UK Pension Funds. The present value of this funding stream is recognised as an investment of the UK Pension Funds and removes the funding deficit on actuarial valuation.

The contributions under the asset backed structure are as follows:

- the arrangement provides a cash flow of £3.75m per year subject to RPI indexation
- the Company pays £0.35m per year subject to RPI indexation, towards the administration costs of the scheme
- the Company pays non-administration costs as agreed on a project by project basis with the trustee

Total cash payments in the year, including both deficit repair and expenses, were £4.4m (2015: £4.2m).

b) Overseas schemes

The Group operates a number of pension schemes in different countries. There are several small defined benefit schemes and a number of defined contribution schemes. In addition, in certain countries, the Group must provide for various employee termination benefits. These are accounted for as if they were defined benefit pension schemes. The total defined benefit pension charge to operating profit for the Group in respect of overseas pension schemes for the year ended 31 March 2016 was £0.4m (2015: £0.4m), excluding settlement gains. The forecast future contributions into these schemes are expected to be similar to the current year contributions, but are subject to the number and nature of leavers in any period.

Details of the Group's material overseas defined benefit schemes are as follows:

– North America

The Group operates three pension plans in North America, a funded defined benefit scheme and two unfunded pension plans. The defined benefit scheme was closed during the prior year and all three schemes are therefore now closed to new members and future accrual. The disclosures are based on the most recent actuarial valuations of liabilities and asset market values at 31 March 2016. During the year a lump sum initiative was made available to certain deferred members. These members were able to elect to withdraw the value of their pension funds from the scheme and place into private control. The value of the liabilities extinguished during this exercise were higher than the carrying value of the assets transferred out of the scheme; the resulting gain has been treated as an exceptional settlement gain in the income statement.

– France

The Group operates an unfunded statutory retirement benefit scheme in France with liabilities of £3.8m (2015: £3.5m), with payments made to employees on retirement.

– Italy

There is an unfunded statutory termination indemnity plan in Italy, with payments made to employees on retirement or termination of service. The Italian scheme is closed to future accrual following changes in local legislation in 2013. It has liabilities of £0.5m (2015: £0.7m).

– Switzerland

The Group has an insured retirement fund in Switzerland that is accounted for under IAS 19.

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19. Given the relative size of the schemes, the age profile and sensitivities are only provided for the UK.

	UK		North America		France		Italy		Switzerland	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Discount rate	**3.45%**	3.40%	**4.30%**	4.67%	**1.75%**	1.35%	**0.70%**	0.60%	**2.60%**	2.60%
Salary rises	**–**	–	**–**	–	**2.00%**	2.00%	**–**	–	**1.85%**	1.85%
Price inflation (RPI)	**2.85%**	2.95%	**2.50%**	3.00%	**2.00%**	2.00%	**2.00%**	2.00%	**1.40%**	1.40%
Price inflation (CPI)	**1.85%**	1.95%	**–**	–	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 5%	**2.78%**	2.95%	**–**	–	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 3%	**2.22%**	2.60%	**–**	–	**–**	–	**–**	–	**–**	–
Amount of pension commuted for cash	**25.00%**	25.00%	**–**	–	**–**	–	**–**	–	**–**	–

The salary increase assumption is no longer relevant in the UK and US as the schemes are closed to future accrual.

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK schemes are set out in the table below; the expected return on investment for the overseas schemes is not a key judgement given the small asset values.

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2016, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2013 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the schemes membership. The results of this exercise showed that a best estimate adjustment to the base table used on the 1 April 2014 actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2016 disclosures.

Actuarial assumption sensitivities

The calculation of the schemes' deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. Note that sensitivities are not provided for the overseas schemes because the materiality of the results is not significant.

	UK 2016 £m
Rate of inflation	
Change in the year end liabilities from a 0.1% increase in the assumed rate of inflation	**(1.1)**
Change in the year end liabilities from a 0.1% decrease in the assumed rate of inflation	**1.1**
Discount rate	
Change in the year end liabilities from a 0.1% increase in the assumed rate of discount	**(1.9)**
Change in the year end liabilities from a 0.1% decrease in the assumed rate of discount	**2.1**
Mortality	
Life expectancy of members increases by 1 year	**5.8**
Life expectancy of members decreases by 1 year	**(5.8)**
Current pensioners:	
Male life expectancy at age 65	86.4
Female life expectancy at age 65	88.3
Future pensioners:	
Male life expectancy at age 65 (currently aged 45)	88.2
Female life expectancy at age 65 (currently aged 45)	90.2

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

UK schemes	2016 Value £m	2015 Value £m
UK equities	**2.4**	2.6
Overseas equities	**35.0**	38.8
Corporate bonds	**40.1**	35.8
Fixed interest government bonds	**22.4**	24.2
Index-linked government bonds	**6.5**	13.1
Property	**3.9**	2.9
Hedge funds	**12.4**	14.4
Cash and cash equivalents	**3.3**	6.3
Total market value of assets	**126.0**	138.1
Present value of scheme liabilities	**(146.1)**	(169.0)
Net deficit in the schemes	**(20.1)**	(30.9)

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

French scheme	2016 Value £m	2015 Value £m
Present value of scheme liabilities	(3.8)	(3.5)
Net deficit in the schemes	(3.8)	(3.5)

Italian scheme	2016 Value £m	2015 Value £m
Present value of scheme liabilities	(0.5)	(0.7)
Net deficit in the scheme	(0.5)	(0.7)

Swiss scheme	2016 Value £m	2015 Value £m
Total market value of assets	11.5	11.2
Present value of scheme liabilities	(11.5)	(11.2)
Net deficit in the scheme	–	–

Expected return on plan assets is 2.66% (2015: 2.66%).

North American schemes	2016 Value £m	2015 Value £m
Equities	0.9	–
Bonds	4.4	5.6
Other	2.4	7.3
Total market value of assets	7.7	12.9
Present value of scheme liabilities	(10.8)	(17.6)
Net deficit in the schemes	(3.1)	(4.7)

The amounts recognised in the Income Statement are as follows:

	2016 £m	2015 £m
Current service cost	(0.4)	(0.4)
Settlement	1.6	0.1
Total included within staff costs	1.2	(0.3)
Expected return on scheme assets less interest on scheme liabilities	(1.2)	(1.6)
Total included within finance costs	(1.2)	(1.6)
Total expenses charged through the Income Statement	–	(1.9)

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2016 £m	2015 £m
Actual return less expected return on scheme assets	(2.9)	18.6
Experience gains/(losses) arising on scheme liabilities	3.6	(2.7)
Changes in assumptions underlying the present value of the scheme liabilities:		
– Demographic assumptions	4.8	(1.9)
– Financial assumptions	2.4	(16.2)
Total amounts recognised in the Statement of Comprehensive Income	7.9	(2.2)

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2016 £m	2015 £m
Beginning of the year	162.2	142.7
Exchange differences	0.4	1.4
Expected return on scheme assets	4.8	5.7
Actual return less expected return on scheme assets	(2.9)	18.6
Contributions paid	4.7	4.3
Settlement	(14.7)	–
Benefits paid	(9.3)	(10.5)
End of the year	145.2	162.2

Analysis of movement in scheme liabilities

	2016 £m	2015 £m
Beginning of the year	(202.0)	(182.7)
Exchange differences	(0.7)	(1.4)
Current service cost (included within staff costs)	(0.4)	(0.4)
Settlement (included within staff costs)	16.3	0.1
Interest on scheme liabilities	(6.0)	(7.3)
Experience gains/(losses)	3.6	(2.7)
Changes in assumptions	7.2	(18.1)
Benefits paid	9.3	10.5
End of the year	(172.7)	(202.0)

24. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Analysis of movement in Balance Sheet liability

	2016 £m	2015 £m
Beginning of the year	**(39.8)**	(40.0)
Exchange differences	**(0.3)**	–
Income Statement expense	**–**	(1.9)
Statement of Comprehensive Income items	**0.7**	15.9
Changes in assumptions	**7.2**	(18.1)
Contributions paid	**4.7**	4.3
Net deficit in the schemes	**(27.5)**	(39.8)

Cumulative actuarial losses on pension schemes recognised in reserves total £30.5m (2015: £38.4m).

	2016 IAS 19 (revised) £m	2015 IAS 19 (revised) £m	2014 IAS 19 (revised) £m	2013 IAS 19 (revised) £m	2012 IAS 19 £m
Present value of defined benefit obligations	**(172.7)**	(202.0)	(182.7)	(184.9)	(172.3)
Fair value of plan assets	**145.2**	162.2	142.7	143.7	133.4
Deficit in the plan	**(27.5)**	(39.8)	(40.0)	(41.2)	(38.9)
Experience adjustments on plan liabilities	**10.8**	(20.8)	(1.4)	(24.0)	(24.3)
	6.3%	(10.3%)	(0.8%)	(13.0%)	(14.1%)
Experience adjustments on plan assets	**4.4**	18.6	(0.8)	10.5	13.4
	3.0%	11.5%	(0.6%)	7.3%	10.0%

25. SHARE CAPITAL

	2016 £m	2015 £m
Allotted, issued and fully paid		
150,033,428 (2015: 147,239,801) shares of 5p each	**7.5**	7.4

The movement in share capital relates to the exercise of share options (see below). The Company has one class of ordinary shares which carry no rights to fixed income.

26. SHARE OPTIONS

Potential issues of ordinary shares

Certain senior managers and other staff hold options to subscribe for shares in the Company at prices ranging from nil pence per share to 159.0 pence per share under share option schemes approved by shareholders. The number of shares subject to options, the periods in which they were granted, and the periods in which they may be exercised are given below:

Scheme	Year of grant	Average exercise price per share	Exercise period	**Number of options 2016**	Number of options 2015
Performance share plan	2009	nil pence per share	up to 6 September 2019	**400,000**	400,000
Performance share plan	2012	nil pence per share	up to 3 September 2022	**180,171**	2,917,181
Performance share plan	2013	nil pence per share	up to 23 July 2023	**1,780,000**	1,780,000
Performance share plan	2014	nil pence per share	up to 24 July 2024	**1,511,457**	1,675,093
Performance share plan	2015	nil pence per share	up to 22 July 2025	**1,018,283**	–
Sharesave option plan 3 year	2012	42.60p	up to 1 September 2015	**–**	56,617
Sharesave option plan 5 year	2012	42.60p	up to 1 September 2017	**45,773**	45,773
Sharesave option plan 3 year	2015	159.00p	up to 1 March 2019	**501,556**	–
				5,437,240	6,874,664

During the year 56,617 options under the 2012 3-year Sharesave option plan were exercised and 2,737,010 under the 2012 share performance plan. All other movements from 2015 are expired or lapsed options and new grants. As at 31 March 2016, 45,773 options were exercisable under the 2012 5-year Sharesave option plan, 400,000 options were exercisable under the 2009 performance share plan and 180,171 were exercisable under the 2012 performance share plan.

The Group operates several share option schemes. Options are exercisable at a price equal to the average quoted market price of the Group's shares on the date of grant. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity settled share options are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based upon the Group's estimate of shares that will eventually vest.

There are no cash-settled share options.

Fair value is measured by use of a Black Scholes model according to the relevant measures of performance. The models include adjustments, based upon management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived from models based upon these assumptions and other assumptions identified below.

The Group recognised total expenses of £1.8m (2015: £1.5m) related to equity-settled share-based payments. This expense includes the charge for new options granted during the year net of release of charge for the options for which it has been concluded that vesting criteria will not be met.

– Long-Term Incentive Plan

The Company has a long-term incentive plan that operates based on the 2004 and 2011 Performance Share Plans.

Options granted in 2009/10 and 2010/11 relate to the incentive plan known as the Scapa Group plc 2004 Performance Share Plan which was approved by shareholders at the Annual General Meeting on 22 July 2004. Awards under the plan take the form of either an annual allocation of ordinary shares or a grant of nil cost options over shares with a market value at the time of grant equivalent to a maximum of 100% of basic salary at that time with vesting taking place at the expiry of the three-year performance period of the plan, subject to attainment of the performance targets.

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

Options granted in 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16 relate to the 2011 incentive plan known as the Scapa Group plc 2011 Performance Share Plan, details of which can be found in the Directors' Remuneration Report contained in these accounts.

26. SHARE OPTIONS CONTINUED

– Sharesave

The Scapa Group 2011 Sharesave Scheme is an Inland Revenue approved Save-As-You-Earn (SAYE) share option scheme pursuant to which eligible employees (including Executive Directors) in the United Kingdom who have worked a minimum six-month qualifying period and agree to save a fixed amount for three or five years under an approved savings contract are granted options to subscribe for shares in the Company at a discounted exercise price. The maximum amount that can be saved by a participant is £250 per month. In normal circumstances options are exercisable for six months following the completion of a savings contract using the proceeds from that contract. The exercise price is based on the market value of the shares as of the date of grant, less a discount of 20%.

The following tables show the inputs to the model used to calculate the fair value of equity-settled share options granted during the years ended 31 March 2016 and 31 March 2015 respectively:

Year ended 31 March 2016	Performance share plan awarded 22 Jul 2015
Weighted average share price (p)	1.96
Weighted average exercise price (p)	Nil
Weighted average fair value of options granted (p)	1.96
Expected volatility (%)	n/a
Expected life (months)	36
Risk free rate (%)	n/a

Year ended 31 March 2015	Performance share plan awarded 24 Jul 2014
Weighted average share price (p)	1.31
Weighted average exercise price (p)	Nil
Weighted average fair value of options granted (p)	1.31
Expected volatility (%)	n/a
Expected life (months)	36
Risk free rate (%)	n/a

The expected volatility is based upon the historical volatility of the Group's share price over the expected life of the option.

26. SHARE OPTIONS CONTINUED

The movement in total outstanding options is provided below:

	SAYE plan		Performance share plan	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 April 2014	598,036	42.6p	5,684,681	0.7p
Granted during the year	–	–	1,675,093	Nil
Exercised during the year	(467,126)	42.6p	–	–
Forfeited and lapsed during the year	(28,520)	42.6p	(587,500)	0.7p
Outstanding at 31 March 2015	102,390	42.6p	6,772,274	Nil
Granted during the year	562,456	159.0p	1,018,283	Nil
Exercised during the year	(56,617)	42.6p	(2,737,010)	199.4p
Forfeited and lapsed during the year	(60,900)	159.0p	(163,636)	Nil
Outstanding at 31 March 2016	547,329	149.3p	4,889,911	Nil
Weighted average contractual remaining life:				
31 March 2016		2.3 years		7.7 years
31 March 2015		1.3 years		8.0 years

The weighted average share price at the date of exercise for share options exercised during the year was 199.3p.

– Scapa Group 2015 Value Creation Plan

During the year the Company set up the Value Creation Plan (VCP) to reward participants for creating value through growth in the Company's share price. If defined share price targets are met on defined dates, the growth in excess of £1.95 (up to a maximum of £5.00) will be shared by the Plan's participants. The total amount awarded to participants in the Plan has been set as 5% of the number of shares in issue. The earliest opportunity to exercise rights under the VCP is April 2020. The first measurement date is 31 March 2018 where the share price target is £3.00. The second measurement date is 31 March 2020 where the share price target is £4.00. Any rights obtained in March 2018 must be held for 24 months before exercise. Any right obtained in March 2020 must be held for 12 months before exercise. The VCP will be equity settled and a charge has been calculated under IFRS 2 and applied in the current year. In determining the likelihood of the VCP vesting, the Company used a simulation model to predict the various outcomes of share price at the target dates. The main assumptions used in the model were the expected volatility, expected dividends payable over the period, the risk free rate of return and the granting and vesting of other LTIP awards which are deducted from any VCP payment. These assumptions were all based on historic data as the best estimate of future outcome.

27. 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

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)**

28. COMMITMENTS

Capital commitments

The amount contracted but not provided for in the accounts at 31 March 2016 was £1.8m (2015: £2.1m).

At 31 March 2016 a total of £1.4m (2015: £0.7m) was authorised but not yet contracted.

Operating lease commitments

At 31 March 2016 the Group has lease agreements in respect of various assets for which payments extend as follows:

Commitments under leases:	**2016 Property £m**	**2016 Vehicles, plant and equipment £m**	2015 Property £m	2015 Vehicles, plant and equipment £m
Within one year	**2.0**	**0.7**	1.7	0.6
More than one year and less than five years	**4.5**	**0.7**	2.2	0.8
After five years	**–**	**–**	0.2	–
Total operating lease commitments	**6.5**	**1.4**	4.1	1.4

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Within one year	**0.2**	0.1	**0.2**	0.1
In the second to fifth years inclusive	**0.1**	0.2	**0.1**	0.2
Present value of lease obligations	**0.3**	0.3	**0.3**	0.3

The present value of minimum lease payments is denominated in the following currencies:

	Minimum lease payments	
	2016 £m	2015 £m
Pounds Sterling	**0.2**	0.2
US Dollar	**0.1**	0.1
	0.3	0.3

It is Group policy to lease certain fixtures and equipment under finance leases. The Group has lease agreements in the US with lease periods to 2018 and average borrowing rates of 6.6% (2015: 9.3%). Interest rates are fixed at contract date. All leases are on fixed repayment terms and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the related assets.

30. POST BALANCE SHEET EVENT

On 23 May 2016 the Group acquired 100% of the share capital of EuroMed Inc, obtaining control. EuroMed Inc is a hydrocolloid-based wound care solutions provider. The Company is based in New York State. The total cost of the acquisition was US$35m. In addition the former owners of the business have the opportunity to earn an additional US$7.0m consideration based on future performance. The acquisition was concluded after the Balance Sheet date and full disclosure will be provided in the Company's interim accounts.

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

	2016 **£m**	2015 £m	2014 (restated) £m	2013 £m	2012 £m
Group revenue	**246.7**	236.0	226.1	208.8	195.6
Group profits/(losses)					
Profit before taxation and exceptional items	**16.4**	14.2	11.0	8.5	9.1
Exceptional items ((charges)/income)	**(6.6)**	(0.5)	0.2	1.1	1.4
Profit before taxation	**9.8**	13.7	11.2	9.6	10.5
Taxation	**(3.7)**	(4.2)	(17.9)	(8.4)	(4.0)
Profit/(loss) after taxation	**6.1**	9.5	(6.7)	1.2	6.5
Headline earnings/(loss) per share (p)	**4.1**	6.5	(4.6)	0.8	4.5
Net cash equivalents	**(2.6)**	(2.2)	5.4	2.2	7.0
Shareholders' funds – equity	**77.7**	61.8	47.7	65.6	66.1
Net assets per share (p)	**52.4**	42.1	32.6	44.9	45.3

The cumulative restatement arising from the adoption during the year of IAS 19 (revised) is reflected in 2013 in the table. The year 2012 has not been restated.

EXCHANGE RATES (UNAUDITED)

	2016	2015	2014	2013	2012
US $					
Closing	**1.44**	1.48	1.67	1.52	1.60
Average	**1.50**	1.61	1.59	1.58	1.60
Canadian $					
Closing	**1.87**	1.88	1.84	1.54	1.60
Average	**1.97**	1.84	1.68	1.59	1.59
Euro					
Closing	**1.27**	1.37	1.21	1.18	1.20
Average	**1.36**	1.28	1.19	1.22	1.16

The separate financial statements of Scapa Group plc are presented on pages 117 to 131.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. They are therefore presented separately to the Group consolidated financial statements which have been prepared under International Financial Reporting Standards.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2016

	note	31 March 2016 £m	31 March 2015 (restated) £m
Non-current assets			
Tangible fixed assets	5	**0.7**	0.7
Investments in subsidiary undertakings	6	**135.5**	134.8
Deferred tax asset	4	**0.9**	1.0
Debtors: amounts due after more than one year	7	**138.3**	133.8
		275.4	270.3
Current assets			
Debtors: amounts due within one year	7	**8.0**	12.6
Cash and cash equivalents		**6.8**	1.7
		14.8	14.3
Current liabilities			
Creditors – amounts falling due within one year	9	**(3.7)**	(6.2)
Net current assets		**11.1**	8.1
Total assets less current liabilities		**286.5**	278.4
Creditors – amounts falling due after more than one year			
Creditors	9	**(113.2)**	(102.2)
Borrowings	8	**(11.5)**	(13.0)
		(124.7)	(115.2)
Provisions for liabilities and charges	10	**(0.5)**	–
Net assets excluding pension liability		**161.3**	163.2
Net pension liability	12	**(13.4)**	(20.7)
Net assets		**147.9**	142.5
Shareholders' funds			
Called-up share capital	11	**7.5**	7.4
Share premium		**0.4**	0.4
Other reserves		**10.1**	10.1
Profit and loss account		**129.9**	124.6
Shareholders' funds – equity		**147.9**	142.5

The notes on pages 121 to 131 form part of these accounts.

The financial statements of Scapa Group plc, registered number 826179, were approved by the Board of Directors and authorised for issue on 24 May 2016. They were signed on its behalf by:

H R CHAE
Group Chief Executive

G S HARDCASTLE
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2014 (restated)	7.3	0.2	10.1	104.8	122.4
Profit for the year	–	–	–	15.9	15.9
Actuarial gain on pension schemes	–	–	–	3.9	3.9
Total comprehensive income	–	–	–	19.8	19.8
Issue of shares	0.1	0.2	–	–	0.3
Share options	–	–	–	1.5	1.5
Dividends	–	–	–	(1.5)	(1.5)
Balance at 31 March 2015 (restated)	7.4	0.4	10.1	124.6	142.5
Profit for the year	–	–	–	(1.7)	(1.7)
Actuarial gain on pension schemes	–	–	–	7.5	7.5
Total comprehensive income	–	–	–	5.8	5.8
Issue of shares	0.1	–	–	–	0.1
Share options	–	–	–	1.8	1.8
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends	–	–	–	(2.2)	(2.2)
Balance at 31 March 2016	**7.5**	**0.4**	**10.1**	**129.9**	**147.9**

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and in accordance with applicable law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year in dealing with items that are considered material in relation to the Company's financial statements. In accordance with Section 408 of the Companies Act 2006 a separate profit and loss account dealing with the results of the Company has not been presented.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

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

GOING CONCERN

The Directors have at the time of approving the financial statements a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 66 and in the Viability Statement on page 19.

TANGIBLE FIXED ASSETS

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

TAXATION

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and losses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

DIVIDENDS

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

PROVISIONS

Provisions are made in accordance with IAS 37 where an obligation exists for a future liability in respect of a past event and where the amount of obligation can be reliably estimated.

PENSION COSTS

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

For defined benefit schemes, the Company recognises plan assets where they are separable, solely for payment to the fund or to fund employee benefits, not available to the Company's creditors in bankruptcy and where the assets cannot be returned to the Company unless all employee benefit obligations are met.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained annually and are updated at each Balance Sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Balance Sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

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

SHARE-BASED PAYMENTS
The Company has applied the requirements of IFRS 2 Share-based Payment.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled employee benefits reserve.

FOREIGN CURRENCIES
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange at the Balance Sheet date. Exchange differences on borrowings (including differences arising due to currency swaps) taken out to hedge overseas equity investments and on long-term loans which are considered equivalent to equity are taken to the translation reserve. All other differences are taken to the profit and loss account.

CASH FLOW STATEMENT
The Company is a wholly owned subsidiary of Scapa Group plc and is included in the consolidated financial statements of Scapa Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

CONSOLIDATION
Consolidated accounts for the Company are prepared under International Accounting Standards and as a result these financial statements present information about the Company only.

RELATED PARTIES
The Directors' Annual Remuneration Report can be found in the Annual Report on pages 59 to 65. The pension scheme is a related party to the Company; there were no contributions outstanding at the year end. There are no other related party transactions. The Company is exempt under the terms of FRS101 paragraph 8(j) from disclosing related party transactions entered into between two or more members of a group provided that any subsidiary which is party to a transaction is wholly owned by a member.

1. PROFIT AND LOSS ACCOUNT

The Company's loss in the year is £1.7m (2015: £15.9m profit (restated)). As permitted by section 408 of the Companies Act 2006 a separate profit and loss account has not been presented. Profit/(loss) on ordinary activities before taxation is stated after (charging)/crediting:

	2016 £m	2015 £m
Depreciation of tangible fixed assets, owned	(0.2)	(0.3)
Foreign exchange gains	0.1	0.1
Directors' and employee costs	(6.9)	(8.1)

2. FEES PAYABLE TO THE COMPANY'S AUDITOR

For the year ended 31 March 2016

	2016 £'000	2015 £'000
Auditor's remuneration		
– Audit of the Company	85.0	76.0
– Taxation advisory services	59.0	23.0
– Corporate finance services	142.0	114.0
	286.0	213.0

Total audit fees were £85,000 (2015: £76,000). Total non-audit fees were £201,000 (2015: £137,000).

3. EMPLOYEE BENEFIT EXPENSE

	2016 £m	2015 £m
Wages and salaries	4.5	5.9
Social security costs	1.0	0.9
Share options granted to directors and employees	1.2	1.0
Pension costs – defined contribution plans	0.2	0.3
	6.9	8.1

	2016	2015
Average employee numbers	39	49

4. TAXATION

Income tax credit

	2016 £m	2015 (restated) £m
Current tax:		
Tax on trading activities – current year	0.4	0.4
Tax on trading activities – prior year	0.1	–
Total current tax	0.5	0.4
Deferred tax:		
Tax on trading activities – current year	(0.1)	–
Total deferred tax	(0.1)	–
Tax credit for the year	0.4	0.4

4. TAXATION CONTINUED

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

	2016 £m	2015 (restated) £m
(Loss)/profit on ordinary activities before tax	(2.2)	16.4
Theoretical tax credit/(charge) at 20% (2015: 21%)	0.4	(3.4)
Movements to unprovided deferred tax	0.1	(0.2)
Changes in tax rate	(0.1)	–
Income not taxable and other deductions	–	9.1
Items not deductible for tax purposes and other taxable items	(0.1)	(5.1)
Adjustments in respect of prior years	0.1	–
Actual tax credit for the year	0.4	0.4

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

	2016 £m	2015 (restated) £m
Deferred tax assets:		
– Retirement benefit liabilities	0.9	1.0

Tax assets amounting to £5.7m (2015: £7.8m) 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	2016 £m	2015 (restated) £m
Beginning of the year	1.0	1.0
Income Statement charge	(0.1)	–
End of year	0.9	1.0

Deferred tax items have not been recognised in respect of the following items	2016 £m	2015 £m
Accelerated capital allowances	1.5	1.6
Short term timing differences	(0.1)	0.6
Pensions	1.6	3.1
Tax losses	2.7	2.5
Total	5.7	7.8

5. TANGIBLE FIXED ASSETS

	Plant, equipment, fixtures and computer systems £m
Cost	
At 1 April 2015	12.7
Additions	0.2
At 31 March 2016	12.9
Depreciation	
At 1 April 2015	(12.0)
Depreciation	(0.2)
At 31 March 2016	(12.2)
Net book value at 31 March 2016	**0.7**
Net book value at 31 March 2015	0.7

6. INVESTMENTS

	Shares in Group undertakings £m
Cost	
At 1 April 2015	134.8
Capital contribution	0.7
Net book value at 31 March 2016	**135.5**
Net book value at 31 March 2015	134.8

No further investment impairment was required at 31 March 2016. Capital contributions were made to Scapa Brasil Ltda and Scapa Korea Co Ltd in the year.

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. For one high-growth cash-generating unit a growth rate of 10.0% (2015: 10.0%) has been used to reflect the specific circumstances of that unit. These cash flows are discounted at a pre-tax discount rate of 10.0% and adjusted for specific risk factors that take into account the sensitivities of the projection.

The Company's subsidiaries are shown in note 16.

7. DEBTORS

	2016 £m	2015 £m
Amounts due within one year:		
Amounts owed by subsidiary undertakings	**6.8**	11.6
Group relief receivable	**0.6**	0.5
Other debtors	**–**	0.1
Prepayments and accrued income	**0.6**	0.4
Total amounts due within one year	**8.0**	12.6
Amounts due after more than one year:		
Amounts owed by subsidiary undertakings	**138.3**	133.8

8. BANK LOANS AND OVERDRAFTS

In January 2014 the Company together with other members of 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 accordion of £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 2.75, reducing to 2.5 over time.

The borrowings of the Company under the facility at the Balance Sheet date were as follows:

	2016 £m	2015 £m
Bank loans	**11.5**	13.0

The effective interest rate at the Balance Sheet date was as follows:

	%
31 March 2016 Bank loans	**2.1%**
31 March 2015 Bank loans	2.1%

	2016 £m	2015 £m
Bank loan drawdown	**11.5**	13.0

The Company, along with other subsidiaries in the Group, has the following undrawn borrowing facilities, being the unused portion of the £40.0m committed facility:

	2016 £m	2015 £m
Floating rate	**28.5**	21.0

9. CREDITORS

	2016 £m	2015 £m
Amounts due within one year:		
Amounts owed to subsidiary undertakings	**0.3**	1.2
Other creditors, including taxation and social security	**3.4**	5.0
Total amounts due within one year	**3.7**	6.2
Amounts due after more than one year:		
Amounts owed to subsidiary undertakings	**113.2**	102.2

The terms of loans owed to subsidiary undertakings vary; expiry of these ranges from 2015–2020.

10. PROVISIONS

	2016 £m	2015 £m
At 1 April	–	0.7
Additions in the year	0.8	
Utilised in the year	(0.3)	(0.5)
Released in the year	–	(0.2)
At 31 March	0.5	–

11. SHARE CAPITAL

	2016 £m	2015 £m
Allotted, issued and fully paid		
150,033,428 (2015: 147,239,801) shares of 5p each	7.5	7.4

The movement in share capital relates to share options (see note 26 of the Group accounts).

	Number of shares
March 2015	147,239,801
SAYE and performance share plan options exercised in the year	2,793,627
March 2016	150,033,428

Share options

Potential issues of ordinary shares and share options for the Company are disclosed in note 26 of the Group accounts.

12. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined contribution scheme

The Company operates a defined contribution scheme in the UK. Employer's contributions are charged to the profit and loss account as incurred. The total pension cost for the Company in respect of this scheme for the year ended 31 March 2016 was £0.3m (2015: £0.3m).

(b) Defined benefit schemes

The Company is a sponsoring employer to the Scapa Group plc Pension Scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employers, Scapa Group plc and Scapa UK Ltd. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional trustee.

The IAS 19 Retirement Benefits valuations have been updated from the prior year using formal valuation calculations carried out as at 1 April 2014, in order to assess the liabilities of the schemes at 31 March 2016. Scheme assets are stated at their market value at 31 March 2016.

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19.

	2016	2015
Discount rate	3.45%	3.40%
Salary rises	–	–
Price inflation (RPI)	2.85%	2.95%
Price inflation (CPI)	1.85%	1.95%
Future pension increases- RPI max 5%	2.78%	2.95%
Future pension increases- RPI max 3%	2.22%	2.60%
Amount of pension commuted for cash	25.00%	25.00%

The salary increase assumption is no longer relevant in the UK as the scheme is closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK schemes are set out in the table below; the expected return on investment for the overseas schemes is not a key judgement given the small asset values.

12. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2016, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2013 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the scheme's membership. The results of this exercise showed that a best estimate adjustment to the base table used on the 1 April 2014 actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2016 disclosures.

Actuarial assumption sensitivities

The calculation of the scheme's deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. Note that sensitivities are not provided for the overseas schemes because the materiality of the results is not significant.

	2016 £m
Rate of inflation	
Change in the year end liabilities from a 0.1% increase in the assumed rate of inflation	**(0.7)**
Change in the year end liabilities from a 0.1% decrease in the assumed rate of inflation	**0.7**
Discount rate	
Change in the year end liabilities from a 0.1% increase in the assumed rate of discount	**(1.3)**
Change in the year end liabilities from a 0.1% decrease in the assumed rate of discount	**1.4**
Mortality	
Life expectancy of members increases by 1 year	**3.9**
Life expectancy of members decreases by 1 year	**(3.9)**
Current pensioners:	
Male life expectancy at age 65	86.4
Female life expectancy at age 65	88.3
Future pensioners:	
Male life expectancy at age 65 (currently aged 45)	88.2
Female life expectancy at age 65 (currently aged 45)	90.2

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

UK schemes	2016 Value £m	2015 Value £m
UK equities	**1.6**	1.7
Overseas equities	**23.4**	25.8
Corporate bonds	**26.7**	23.8
Fixed interest government bonds	**14.9**	16.2
Index-linked government bonds	**4.3**	8.8
Property	**2.6**	1.9
Hedge funds	**8.3**	9.6
Cash and cash equivalents	**2.2**	4.2
Total market value of assets	**84.0**	92.0
Present value of scheme liabilities	**(97.4)**	(112.7)
Net deficit in the schemes	**(13.4)**	(20.7)

12. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts recognised in the Income Statement are as follows:

	2016 £m	2015 £m
Settlement	**0.4**	0.1
Total included within staff costs	**0.4**	0.1
Expected return on scheme assets less interest on scheme liabilities	**(0.6)**	(1.0)
Total included within finance costs	**(0.6)**	(1.0)
Total expenses charged through the Income Statement	**(0.2)**	(0.9)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2016 £m	2015 £m
Actual return less expected return on scheme assets	**1.1**	14.8
Experience gains arising on scheme liabilities	**1.6**	0.8
Changes in assumptions underlying the present value of the scheme liabilities:		
– Demographic assumptions	**3.2**	(11.6)
– Financial assumptions	**1.6**	(0.1)
Total amounts recognised in the Statement of Comprehensive Income	**7.5**	3.9

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2016 £m	2015 £m
Beginning of the year	**92.0**	80.2
Expected return on scheme assets	**2.9**	3.5
Actual return less expected return on scheme assets	**1.1**	14.8
Settlement	**(6.8)**	–
Benefits paid	**(5.2)**	(6.5)
End of the year	**84.0**	92.0

Analysis of movement in scheme liabilities

	2016 £m	2015 £m
Beginning of the year	**(112.7)**	(103.9)
Settlement (included within staff costs)	**7.2**	0.1
Interest on scheme liabilities	**(3.5)**	(4.5)
Experience (losses)/gains	**1.6**	0.8
Changes in assumptions	**4.8**	(11.7)
Benefits paid	**5.2**	6.5
End of the year	**(97.4)**	(112.7)

12. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Analysis of movement in Balance Sheet liability

	2016 £m	2015 £m
Beginning of the year	(20.7)	(23.7)
Total remeasurements	7.5	3.9
Expenses in the profit and loss account	(0.2)	(0.9)
Net deficit in the schemes	(13.4)	(20.7)

	2016 FRS101 (revised) £m	2015 FRS101 (revised) £m	2014 £m	2013 £m	2012 £m
Present value of defined benefit obligations	(97.4)	(112.7)	(103.9)	(80.2)	(73.2)
Fair value of plan assets	84.0	92.0	103.9	80.2	58.0
Deficit in the plan	(13.4)	(20.7)	–	–	(15.2)
Experience adjustments on plan liabilities	6.4	(10.9)	0.4	(9.8)	(4.9)
Experience adjustments on plan assets	1.1	14.8	0.1	2.4	0.1

13. DIVIDEND PER SHARE

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

14. TRANSITION TO FRS 101

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2014 and the significant accounting policies meeting those requirements are described in the relevant notes. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2014, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

On transition to FRS 101, the Company has applied the requirements of paragraph 6-33 of IFRS 1 First Time Adoption of International Financial Reporting Standards.

14. TRANSITION TO FRS 101 CONTINUED
Reconciliation of equity as at 1 April 2014

	note	UK GAAP £m	FRS 101 Transition £m	FRS 101 £m
Non-current assets				
Tangible fixed assets		**0.7**	–	0.7
Investments in subsidiary undertakings		**151.5**	–	151.5
Deferred tax asset	15	**–**	1.0	1.0
Debtors: amounts due after more than one year		**91.6**	–	91.6
		243.8	1.0	244.8
Current assets				
Debtors: amounts due within one year		**5.3**	–	5.3
Cash and cash equivalents		**0.6**	–	0.6
		5.9	–	5.9
Current liabilities				
Creditors – amounts falling due within one year		**(5.3)**	–	(5.3)
Net current assets		**0.6**	–	0.6
Total assets less current liabilities		**244.4**	1.0	245.4
Creditors – amounts falling due after more than one year				
Creditors		**(98.6)**	–	(98.6)
Provisions for liabilities and charges		**(0.7)**	–	(0.7)
Net assets excluding pension liability		**145.1**	1.0	146.1
Net pension liability	15	**–**	(23.7)	(23.7)
Net assets		**145.1**	(22.7)	122.4
Shareholders' funds				
Called-up share capital		**7.3**	–	7.3
Share premium		**0.2**	–	0.2
Other reserves		**10.1**	–	10.1
Profit and loss account	15	**127.5**	(22.7)	104.8
Shareholders' funds – equity		**145.1**	(22.7)	122.4

14. TRANSITION TO FRS 101 CONTINUED

Reconciliation of equity as at 31 March 2015

	note	UK GAAP £m	FRS 101 Transition £m	FRS 101 £m
Non-current assets				
Tangible fixed assets		**0.7**	–	0.7
Investments in subsidiary undertakings		**134.8**	–	134.8
Deferred tax asset	15	**–**	1.0	1.0
Debtors: amounts due after more than one year		**133.8**	–	133.8
		269.3	1.0	270.3
Current assets				
Debtors: amounts due within one year		**12.6**	–	12.6
Cash and cash equivalents		**1.7**	–	1.7
		14.3	–	14.3
Current liabilities				
Creditors – amounts falling due within one year		**(6.2)**	–	(6.2)
Net current assets		**8.1**	–	8.1
Total assets less current liabilities		**277.4**	1.0	278.4
Creditors – amounts falling due after more than one year				
Creditors		**(102.2)**	–	(102.2)
Borrowings		**(13.0)**	–	(13.0)
		(115.2)	–	(115.2)
Net assets excluding pension liability		**162.2**	1.0	163.2
Net pension liability	15	**–**	(20.7)	(20.7)
Net assets		**162.2**	(19.7)	142.5
Shareholders' funds				
Called-up share capital		**7.4**	–	7.4
Share premium		**0.4**	–	0.4
Other reserves		**10.1**	–	10.1
Profit and loss account	15	**144.3**	(19.7)	124.6
Shareholders' funds – equity		**162.2**	(19.7)	142.5

15. RESTATEMENT FROM UK GAAP TO FRS 101

On transition to FRS 101, the net defined benefit cost and retirement benefit obligation relating to the final salary defined benefit pension scheme is recognised as per the requirements of IAS 19 (revised) Employee Benefits. As such, the Company has recognised a retirement benefit obligation of £20.7m at 31 March 2015 (1 April 2014: £23.7m) and a corresponding deferred tax asset of £1.0m at 31 March 2015 (1 April 2014: £1.0m). The net impact of recognising the retirement benefit obligation and corresponding deferred tax asset is a £19.7m reduction in the profit and loss reserves account at 31 March 2015 (1 April 2014: £22.7m reduction). No other material adjustments were noted on transition.

16. SUBSIDIARY UNDERTAKINGS

As at 31 March 2016 the principal subsidiaries of the Company were:

Holding and management companies	Country of incorporation	
Scapa Group Holdings GmbH	Austria	Holding company
Porritts & Spencer Ltd*	England	Holding company
Scapa Holdings GmbH	Germany	Holding company
Scapa (HK) Holdings Ltd	Hong Kong	Holding company
Scapa Denver (North) Ltd	England	Holding company
Scapa North America Inc	USA	Holding company
Scapa (No2) Ltd	England	Non-trading
Scapa Blackburn Ltd*	England	Non-trading
Scapa General Partner Ltd	Scotland	Non-trading
Scapa Pension Trustees Ltd	England	Non-trading
Scapa Scottish Ltd Partnership	Scotland	Non-trading
Scapa Tapes NA (Carlstadt) Inc	USA	Non-trading

Technical tapes companies	
Scapa Brasil Ltda	Brazil
Scapa Tapes North America Ltd	Canada
Scapa (Shanghai) International Trading Company Ltd	China
Scapa Tapes (Suzhou) Co. Ltd	China
Scapa UK Ltd	England
Groupe Scapa France SAS	France
First Water Ltd*	England
First Water Ramsbury Ltd	England
Scapa Deutschland GmbH	Germany
Scapa Hong Kong Ltd	Hong Kong
Scapa Tapes India Private Ltd	India
Scapa Italia SpA	Italy
Scapa Korea Co. Ltd	Korea
Scapa Tapes Malaysia Sdn Bhd	Malaysia
Scapa (Schweiz) AG	Switzerland
Scapa Indutrade (Schweiz) AG	Switzerland
Scapa Tapes North America LLC	USA

Minority Shareholdings	
Edixomed Ltd**	England

All the shareholdings are ordinary shares and the subsidiaries listed are wholly owned and are incorporated in and operate from the countries named, with the exception of entities under minority shareholdings.

* Denotes the undertakings which are held directly by Scapa Group plc.

** Edixomed Ltd is a clinical stage biopharmaceutical company. The company aims to take early stage products through stages of clinical and commercial development to maximise value to the business. The investment is held at cost.

COMPANY INFORMATION

KEY DATES

Next Annual General Meeting	19 July 2016
Next interim results	22 November 2016
Next year end (to be reported)	31 March 2017
Next preliminary announcement	23 May 2017
Next Annual Report due	June 2017

SHAREHOLDER INFORMATION

Shareholder enquiries should be directed to the Company's registrars, Capita Asset Services, at their Customer Support Centre, details as follows:

By phone – UK – 0871 664 0300 (UK calls cost 12p per minute plus your phone company's access charge).
If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.
By email – ssd@capita.co.uk
By post – Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Further information regarding the various services offered by Capita Asset Services, including the Share Portal and Share Dealing Service, can be obtained from the above or directly from Capita's website www.capitaassetservices.com or www.capitashareportal.com.

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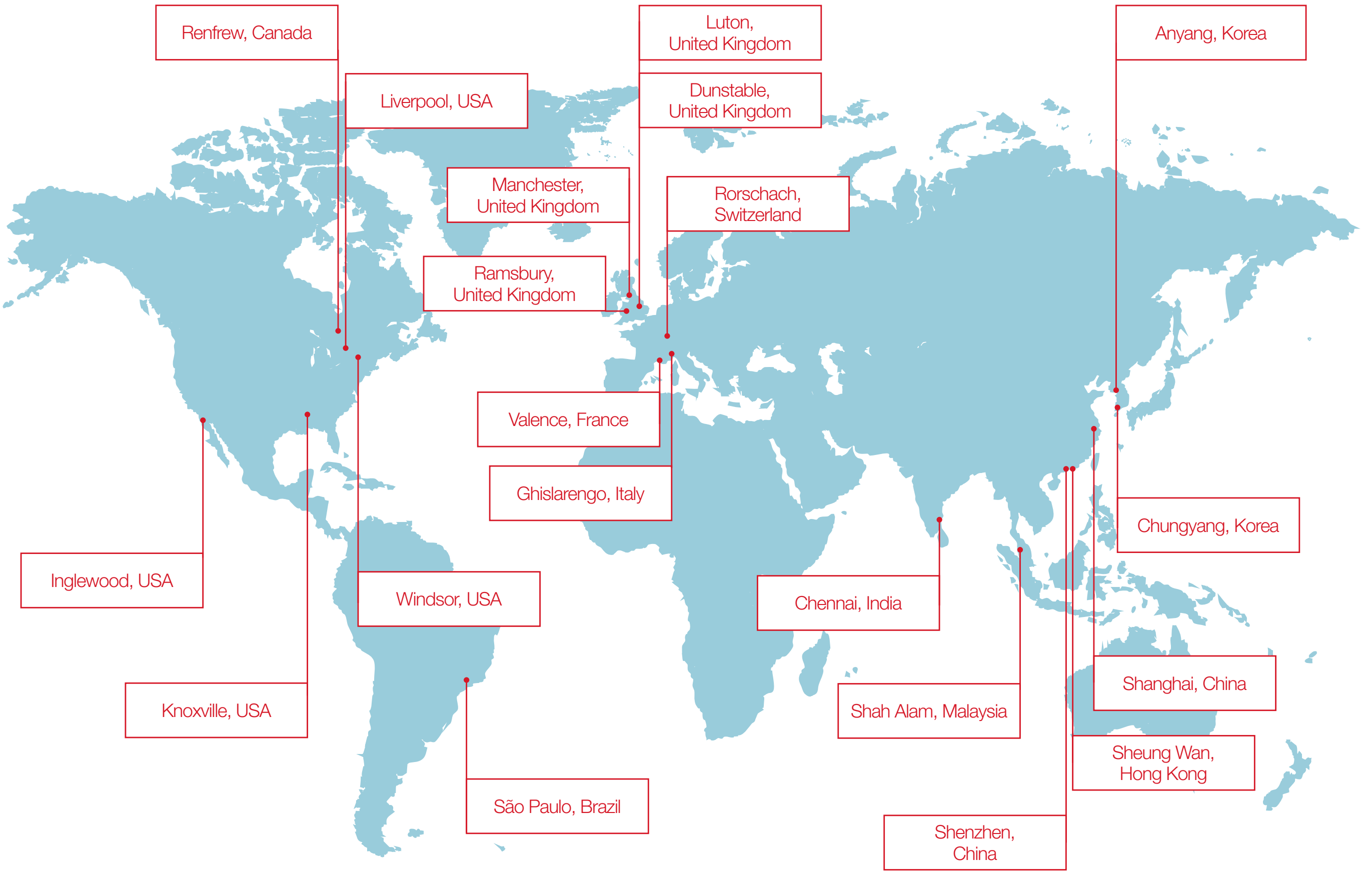

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