



Scapa Group plc Interim Results

Scapa Group plc, a global manufacturer of bonding materials and solutions, today announces its Interim Results for the half year ended 30 September 2011.

Highlights

- Period of good progress
- Successful focus on higher quality revenues, self-help and efficiency leading to improving profits and margin
- Revenue up 1% to £98.6m (2010: £97.9m)
- Trading profit increased 39% to £5.0m (2010: £3.6m)
- Profit margin improvement during the period to 5.1% (2010: 3.7%)
- Profit before tax increased 104% to £5.5m (2010: £2.7m) including £1.0m exceptional pension curtailment gain
- Strong working capital management continues to improve net cash, which increased to £20.8m (30.9.2010: £11.7m; 31.3.2011: £18.8m)
- Adjusted earnings per share, before exceptional items, up 42% to 1.7p (2010: 1.2p)

Commenting on the results Chief Executive, Heejae Chae said:

“The Group has made good progress in the first six months of this financial year and we continue to reposition ourselves in our chosen markets. We have delivered strong growth in profits while improving margins and cash generation, which has given us a healthy financial position at the period end. While remaining cautious in the face of the current negative economic sentiment, the Board is confident about the Group’s profit outlook for the year which is in line with current market expectations.”

For further information:

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Interim Management Report

We are pleased to report a strong performance for the six months to September 2011. Trading profits increased 39% to £5.0m and we continue to make progress on improving our margins through improvements in efficiency, cost reduction and focus on higher quality revenue streams.

Revenue and profits

Group revenue increased slightly to £98.6m (2010/11: £97.9m) as we continue to focus on improving the quality of our business in our chosen markets from low value commodity products to high value added application-specific solutions. Taking into account the effect of exchange rates the revenue growth was flat.

Group headline operating profits were significantly ahead of the prior year at £6.0m (2010/11: £3.6m). This included a pension curtailment gain of £1.0m which has been presented as an exceptional item (2010/11: Nil). Trading profits were £5.0m which further improved our profit margin to 5.1% (2010/11: 3.7%) as our focus on self-help measures of improved efficiency and cost reduction continue to deliver improved performance.

Interest income and expense

Net interest payable was Nil (2010/11: £0.1m). Other finance charges were £0.5m (2010/11: £0.8m) and comprise £0.4m of IAS 19 finance costs (2010/11: £0.6m) and £0.1m charge on the unwinding of the discounted litigation provision (2010/11: £0.2m); both of these are non cash items.

Taxation charge

The tax charge for the period is £2.3m (2010/11: £1.0m). This is a combination of a current tax charge of £0.6m (2010/11: £0.5m) and a deferred tax charge of £1.7m (2010/11: £0.5m). The deferred tax charge is affected by the change in rate of UK corporation tax from 26% to 25%. UK deferred tax assets have been restated down to the effective tax rate at which they will be utilised. This coupled with fixed tax payable on activity or presence in certain jurisdictions has increased the Group effective rate to 42% (2010/11: 37%).

Earnings per share

The profit attributable to shareholders for the current period amounts to £3.2m (2010/11: £1.7m). This equates to earnings per share of 2.2p (2010/11: 1.2p).

Cash flow

Net cash balances at 30 September 2011 were £20.8m (31 March 2011: £18.8m). This includes restricted cash of £6.4m (31 March 2011: £6.3m); the restriction ends in December 2011. Cash flow from operating activities before exceptional items was £3.8m (2010/11: £3.8m). Total spend against exceptional provisions was £0.3m (2010/11: £2.1m); these provisions relate to items recognised in the income statement in prior years. Of this, £0.2m relates to asbestos litigation (2010/11: £1.2m) and reflects the low level of case activity seen during the period. The balance of £0.1m relates to legacy environmental clean-up.

Capital investment in the period remains well below the depreciation charge at £1.0m (2010/11: £0.6m); we expect capital expenditure for the year as a whole to be around £2.0m, of which the majority is related to cost-out and efficiency investments.

Tax cash outflow was £0.5m (2010/11: £0.3m); the majority of the tax charge in the period is deferred tax. As we continue to improve our profitability, our cash tax will increase in certain jurisdictions which without tax losses brought forward will move onto payments on account.

Markets and regions

Industrial revenue was £76.6m (2010/11: £74.2m), an increase of 3.2% on the prior year, 1.9% at constant exchange rates. Industrial, which now includes Transportation, covers a wide range of markets including construction, energy, sports, and prints and graphics. There has been a strong growth in our European Consumable business after successful product launches and increase in our point of sales by approximately 10% despite the difficult market conditions in the overall construction sector. Our presence and strength in the global cable market has seen strong growth in this area

along with the energy related markets. Our focus is to continue to maximise our margin through better product portfolio management which will lower our cost to serve and simplify our operational complexity.

Medical revenue was £16.1m (2010/11: £16.8m). Excluding the impact of exchange rates the revenue growth was flat. The lack of growth in revenue was caused by a customer programme coming to the end of its life cycle, in addition to the normalisation of demand following a new product launch by a global wound care customer. Market prospects remain positive as our new business pipeline continues to improve. Our market leading position in silicone technology is providing us with exciting opportunities as market patents on the use of silicone gel in wound care are due to expire in 2012. Our long-standing relationships with leading global wound care customers and partnerships have positioned us well to leverage the current trend toward skin-friendly solutions. During the year, we have made investments in the organisation to upgrade our capabilities to better serve our medical customers. We appointed Joe Davin as President Global Medical to drive our medical effort. Joe brings over 30 years of medical devices experience at market leaders such as Spacelabs and GE Healthcare. We also appointed Steven Percival as Head of Medical R&D who joins us from Advanced Medical Solutions Plc and has previously worked at ConvaTec. Steven is also Honorary Professor of Medical Biology at West Virginia University Medical School and has a PhD awarded by the University of Leeds. These two key additions to our senior team demonstrate our commitment and determination to create a leading medical business within Scapa Group.

Electronics/Asia revenue was £5.9m (2010/11: £6.9m), a decrease of 14.5%. We continue to reposition Asia towards the Electronics market and transition away from commodity-based products. Our new production line and R&D lab in Korea came on line during the first quarter of the year. Despite the short period since, we have seen some very pleasing successes, being designed in to major OEM electronic devices, and we are currently working on a number of key opportunities covering hand-held devices, flat screen TVs, mobile phones and a broader range of white goods.

North American performance was very strong; while sales for the six months were marginally behind last year at £36.9m (2010/11: £38.7m), profitability increased to £4.9m which reduces to £3.9m (2010/11: £2.9m) when adjusted for the £1.0m pension curtailment credit. The quality of business continues to improve as we become more focused on the technical solutions which we offer to the medical markets and away from some of our more cost pressured commodity markets. This movement, along with internal focus on cost control, led to the underlying margin improvement to 10.6% (2010/11: £2.7m or 7.3%).

Sales in Europe of £55.8m (2010/11: £52.3m) increased £3.5m or 6.7% maintaining the same growth rate we saw last year. Sales were increased by the improved quality of business and the continued impact of sales price increases fully recovering the prior year increased cost of raw materials. This coupled with the continued internal focus on cost control delivered an improved trading profit of £2.2m (2010/11: £0.8m) improving underlying margins to 3.9% (2010/11: 1.8%).

Pensions

The pension deficit at 30 September 2011 increased by £5.8m to £40.8m (31 March 2011: £35.0m). Asset values in the UK schemes managed only moderate increases of £0.2m. These increases did not offset the liability increases of £6.7m, which followed a reduction to 5.2% (March 2011: 5.6%) in the rate used to discount the future commitments.

The £6.5m increase in the UK deficit is reduced by favourable movements in the overseas schemes of £0.7m, mainly owing to the recognition of a curtailment gain in the US. The Group closed its only remaining final salary pension scheme during the period; a curtailment gain of £1.0m has been recognised in the operating profit. The Group now has no material final salary pension schemes in operation.

During the period the Company made cash payments in excess of the operating charge of £3.0m (2010/11: £1.8m). The increase from the prior year relates to timing on PPF expenses £0.3m, increased contributions due to inflation £0.1m, catch-up payments on the UK schemes £0.5m which was due to the Group's improved performance, and expenses associated with liability management projects.

Product liability

The position with regard to the asbestos claim liability has been reviewed in light of the six months' experience since March 2011. The conclusion of the Board is that the provision recognised at 31 March 2011 remains appropriate. The £0.8m movement in the corresponding asset and liability to £20.7m (31 March 2011: £19.9m) relates to exchange rate movements in the US Dollar and unwind of the discount.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those set out in the 2011 Annual Report. Those which are most likely to impact the performance of the Group in the remaining months of the financial year are movements in exchange rates and global commodity prices. Due to the global nature of the Group, a large proportion of its revenue is derived from overseas, of which a significant amount is generated in US Dollars and Euros. As a consequence, the Group could be affected by movements in exchange rates. The Group uses a number of commodity type products in its core production operations, predominantly cloths, rubbers and resins and, with limited buying power influence in the very short term, the Group could be affected by sharp movements in the global prices for these commodities.

Outlook

The Group has made good progress in the first six months of this financial year; we continue to reposition ourselves in our chosen markets and have delivered strong growth in profits, while improving margins and cash generation have given us a healthy financial position at the period end. While remaining cautious in the face of the current negative economic sentiment, the Board is confident about the Group's profit outlook for the year which is in line with current market expectations.



James A S Wallace

Chairman

29 November 2011

Consolidated Income Statement

For the half year ended 30 September 2011 (unaudited)

		Half year ended 30 Sept 2011 £m	Half year ended 30 Sept 2010 £m	Year ended 31 March 2011 £m
All on continuing operations	note			
Revenue	2	98.6	97.9	192.3
Operating profit	2	6.0	3.6	8.0
Trading profit*		5.0	3.6	8.0
Exceptional items (pension curtailment)		1.0	–	–
Operating profit	2	6.0	3.6	8.0
Interest payable		(0.1)	(0.1)	(0.3)
Interest receivable		0.1	–	–
Net interest payable		–	(0.1)	(0.3)
Net discount on provisions and other receivables		(0.1)	(0.2)	(0.2)
IAS 19 finance costs		(0.4)	(0.6)	(1.4)
Net finance costs		(0.5)	(0.9)	(1.9)
Profit on ordinary activities before tax		5.5	2.7	6.1
Tax on operating activities	3	(1.8)	(0.7)	(2.1)
Tax on exceptional items	3	(0.4)	–	–
Impact of change in tax rate on deferred tax	3	(0.1)	(0.3)	(0.5)
Tax charge		(2.3)	(1.0)	(2.6)
Profit for the period		3.2	1.7	3.5
Weighted average number of shares		145.1	144.8	144.8
Basic earnings per share (p)		2.2	1.2	2.4
Adjusted earnings per share (p) (before exceptional items)		1.7	1.2	2.4
Diluted earnings per share (p)		2.1	1.2	2.3

Consolidated Statement of Comprehensive Income

For the half year ended 30 September 2011 (unaudited)

		Half year ended 30 Sept 2011 £m	Half year ended 30 Sept 2010 £m	Year ended 31 March 2011 £m
All on continuing operations				
Profit for the period		3.2	1.7	3.5
Exchange differences on translating foreign operations		(0.1)	(2.0)	(0.9)
Actuarial (losses)/gains		(9.5)	(6.6)	1.2
Deferred tax on actuarial (losses)/gains		2.4	1.8	(0.3)
Effect of reduction in UK corporation tax on deferred tax		(0.1)	–	(0.7)
Deferred tax on foreign exchange		–	–	0.1
Total recognised (loss)/income for the period		(4.1)	(5.1)	2.9

*Operating profit before exceptional items.

Consolidated Balance Sheet

As at 30 September 2011 (unaudited)

		Half year ended 30 Sept 2011 £m	Half year ended 30 Sept 2010 £m	Year ended 31 March 2011 £m
	note			
Assets				
Non-current assets				
Goodwill		12.4	12.2	12.1
Property, plant and equipment		36.6	38.5	37.6
Deferred tax asset		28.6	31.2	27.6
Other receivables		19.9	18.7	19.1
Restricted cash		–	6.3	–
		97.5	106.9	96.4
Current assets				
Assets held for resale		0.6	–	0.6
Inventory		21.4	20.9	21.6
Trade and other receivables		34.8	36.1	34.9
Current tax asset		0.2	0.4	0.3
Financial assets – Derivative financial instruments		0.1	–	–
Restricted cash		6.4	–	6.3
Cash and cash equivalents	6	16.1	9.4	14.7
		79.6	66.8	78.4
Liabilities				
Current liabilities				
Financial liabilities:				
– Borrowings and other financial liabilities	6	(1.2)	(3.4)	(1.7)
– Derivative financial instruments		(0.1)	(0.1)	(0.1)
Trade and other payables		(32.3)	(28.6)	(32.0)
Current tax liabilities		(0.7)	(0.1)	(0.6)
Provisions	5	(2.6)	(3.8)	(3.0)
		(36.9)	(36.0)	(37.4)
Net current assets		42.7	30.8	41.0
Non-current liabilities				
Financial liabilities – Borrowings and other financial liabilities	6	(0.5)	(0.6)	(0.5)
Trade and other payables		(1.1)	(1.5)	(1.2)
Deferred tax liabilities		(4.9)	(4.3)	(4.6)
Non-current tax liabilities		(1.3)	(1.3)	(1.3)
Retirement benefit obligations	4	(40.8)	(43.9)	(35.0)
Provisions	5	(26.9)	(25.8)	(26.2)
		(75.5)	(77.4)	(68.8)
Net assets		64.7	60.3	68.6
Shareholders' equity				
Ordinary shares		7.3	7.2	7.3
Share premium		0.1	–	0.1
Retained earnings		38.6	35.5	42.4
Translation reserve		18.7	17.6	18.8
Total shareholders' equity		64.7	60.3	68.6

Consolidated Statement of Changes in Equity
For the half year ended 30 September 2011 (unaudited)

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2010	7.2	–	19.6	38.5	65.3
Employee share option scheme – value of employee services	–	–	–	0.1	0.1
Currency translation differences	–	–	(2.0)	–	(2.0)
Actuarial loss on pension schemes	–	–	–	(6.6)	(6.6)
Deferred tax on actuarial loss	–	–	–	1.8	1.8
Net income recognised directly in equity	–	–	(2.0)	(4.8)	(6.8)
Profit for the period	–	–	–	1.7	1.7
Total comprehensive income	–	–	(2.0)	(3.1)	(5.1)
Balance at 30 September 2010	7.2	–	17.6	35.5	60.3
Issue of share capital	0.1	0.1	–	–	0.2
Employee share option scheme – value of employee services	–	–	–	0.1	0.1
Currency translation differences	–	–	1.1	–	1.1
Actuarial gain on pension schemes	–	–	–	7.8	7.8
Deferred tax on actuarial gain	–	–	–	(2.1)	(2.1)
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.7)	(0.7)
Deferred tax on foreign exchange	–	–	0.1	–	0.1
Net income recognised directly in equity	–	–	1.2	5.0	6.2
Profit for the period	–	–	–	1.8	1.8
Total comprehensive income	–	–	1.2	6.8	8.0
Balance at 31 March 2011	7.3	0.1	18.8	42.4	68.6
Employee share option scheme – value of employee services	–	–	–	0.2	0.2
Currency translation differences	–	–	(0.1)	–	(0.1)
Actuarial loss on pension schemes	–	–	–	(9.5)	(9.5)
Deferred tax on actuarial loss	–	–	–	2.4	2.4
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.1)	(0.1)
Net income recognised directly in equity	–	–	(0.1)	(7.2)	(7.3)
Profit for the period	–	–	–	3.2	3.2
Total comprehensive income	–	–	(0.1)	(4.0)	(4.1)
Balance at 30 September 2011	7.3	0.1	18.7	38.6	64.7

Consolidated Cash Flow Statement

For the half year ended 30 September 2011 (unaudited)

		Half year ended 30 Sept 2011 £m	Half year ended 30 Sept 2010 £m	Year ended 31 March 2011 £m
All on continuing operations	note			
Cash flows from operating activities				
Net cash flow from operations	6	3.5	1.7	9.1
Cash generated from operations before exceptional items*	6	3.8	3.8	10.8
Cash outflows from exceptional items*	6	(0.3)	(2.1)	(1.7)
Net cash flow from operations		3.5	1.7	9.1
Net interest paid		–	(0.1)	(0.2)
Income tax paid		(0.5)	(0.3)	–
Net cash generated from operating activities		3.0	1.3	8.9
Cash flows used in investing activities				
Purchase of property, plant and equipment		(1.0)	(0.6)	(1.6)
Proceeds from sale of property, plant and equipment		–	–	0.3
Net cash used in investing activities		(1.0)	(0.6)	(1.3)
Cash flows from financing activities				
Issue of shares		–	–	0.1
Repayment of borrowings		(0.1)	(2.1)	(2.2)
Net cash used in financing activities		(0.1)	(2.1)	(2.1)
Net increase/(decrease) in cash and cash equivalents		1.9	(1.4)	5.5
Cash and cash equivalents at beginning of the period		13.2	7.8	7.8
Exchange losses on cash and cash equivalents		(0.1)	(0.1)	(0.1)
Net cash and cash equivalents at end of period	6	15.0	6.3	13.2

* Exceptional items include provision movements on items charged to the income statement in prior years.

Notes

1. General Information

The financial information included in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. The comparative information for the six months ended 30 September 2010 is also unaudited. The comparative figures for the year ended 31 March 2011 have been extracted from the Group's financial statements as filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under duties of auditors section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation

The annual financial statements for Scapa Group plc are prepared in accordance with IFRSs as adopted by the European Union. AIM listed companies are not required to issue IAS 34 compliant interims. Scapa Group plc complies with the majority of IAS 34 but does not produce a number of additional disclosures that are not considered significant.

Accounting policies

The same accounting policies, presentation and methods of computation are followed in the interim set of accounts as applied in the Group's latest annual audited financial statements.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

2. Segmental reporting

The chief operating decision-maker has been identified as the Executive Board. The information presented below is consistent with the reporting regularly provided to the Directors and it is this information which the Directors use to review the Group's operating results, assess performance and make decisions about resource allocation.

The Group operates in three main geographical areas: Europe, North America and Asia and operates in three global market segments: Industrial, Medical and Electronics (Industrial now includes Transportation). The information below and in the Interim Management Report refers to geographical areas and market segments and this is to enable readers of the accounts to gain a better understanding of the breadth of our service as well as an informed and helpful comparison to other organisations operating in our markets.

The Board reviews the performance of the business using information presented at constant exchange rates. The prior year results have been restated as shown on the following pages. Corporate costs are allocated to geographical segments. All inter-segment transactions are made on an arms-length basis. The home country of the Company is the United Kingdom.

No information on segmental assets and liabilities has been presented.

Segment results – 30 September 2011

The segment results for the half year ended 30 September 2011 are as follows:

	Europe £m	N America £m	Asia £m	Eliminations £m	Head office £m	Group £m
External revenue	55.8	36.9	5.9	–	–	98.6
Inter-segment revenue	2.6	1.1	0.5	(4.2)	–	–
Total revenue	58.4	38.0	6.4	(4.2)	–	98.6
Operating profit/(loss)	2.2	4.9	(0.5)	–	(0.6)	6.0
Net finance costs						(0.5)
Profit on ordinary activities before tax						5.5
Tax charge						(2.3)
Profit for the period						3.2

	Industrial £m	Medical £m	Electronics £m	Group £m
External revenue	76.6	16.1	5.9	98.6

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

	Europe £m	N America £m	Asia/Other £m	Group £m
External revenue	49.9	33.2	15.5	98.6

Segment results – 30 September 2010

The segment results for the half year ended 30 September 2010 are as follows:

	Europe £m	N America £m	Asia £m	Eliminations £m	Head office £m	Group £m
External revenue	52.3	38.7	6.9	–	–	97.9
Inter-segment revenue	2.3	1.4	0.6	(4.3)	–	–
Total revenue	54.6	40.1	7.5	(4.3)	–	97.9
Operating profit/(loss)	0.8	2.9	0.4	–	(0.5)	3.6
Net finance costs						(0.9)
Profit on ordinary activities before tax						2.7
Tax charge						(1.0)
Profit for the period						1.7

	Industrial £m	Medical £m	Electronics £m	Group £m
External revenue	74.2	16.8	6.9	97.9

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

	Europe £m	N America £m	Asia/Other £m	Group £m
External revenue	46.6	35.7	15.6	97.9

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

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	52.3	38.7	6.9	–	97.9
Foreign exchange	1.8	(1.5)	(0.1)	–	0.2
Underlying external revenue	54.1	37.2	6.8	–	98.1
Trading profit/(loss)	0.8	2.9	0.4	(0.5)	3.6
Foreign exchange	0.2	(0.2)	(0.1)	–	(0.1)
Underlying trading profit/(loss)	1.0	2.7	0.3	(0.5)	3.5

	Industrial £m	Medical £m	Electronics £m	Group £m
External revenue	74.2	16.8	6.9	97.9
Foreign exchange	1.0	(0.7)	(0.1)	0.2
Underlying external revenue	75.2	16.1	6.8	98.1

Segment results – 31 March 2011

The segment results for the year ended 31 March 2011 are as follows:

	Europe £m	N America £m	Asia £m	Eliminations £m	Head office £m	Group £m
External revenue	106.7	72.7	12.9	–	–	192.3
Inter-segment revenue	4.5	2.7	1.2	(8.4)	–	–
Total revenue	111.2	75.4	14.1	(8.4)	–	192.3
Operating profit/(loss)	3.3	5.3	0.4	–	(1.0)	8.0
Net finance costs						(1.9)
Profit on ordinary activities before tax						6.1
Tax charge						(2.6)
Profit for the year						3.5

	Industrial £m	Medical £m	Electronics £m	Group £m
External revenue	145.6	33.8	12.9	192.3

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

	Europe £m	N America £m	Asia /Other £m	Group £m
External revenue	94.7	66.9	30.7	192.3

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

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	106.7	72.7	12.9	–	192.3
Foreign exchange	3.0	(2.0)	–	–	1.0
Underlying external revenue	109.7	70.7	12.9	–	193.3
Trading profit	3.3	5.3	0.4	(1.0)	8.0
Foreign exchange	0.5	–	(0.2)	–	0.3
Underlying trading profit	3.8	5.3	0.2	(1.0)	8.3

	Industrial £m	Medical £m	Electronics £m	Group £m
External revenue	145.6	33.8	12.9	192.3
Foreign exchange	1.9	(0.9)	–	1.0
Underlying external revenue	147.5	32.9	12.9	193.3

3. Taxation

	Half year ended 30 Sept 2011 £m	Half year ended 30 Sept 2010 £m	Year ended 31 March 2011 £m
Current tax:			
Tax on ordinary activities – current year	(0.5)	(0.3)	(0.6)
Tax on ordinary activities – prior year	(0.1)	(0.2)	(0.4)
	(0.6)	(0.5)	(1.0)
Deferred tax:			
Tax on ordinary activities – current year	(1.2)	(0.7)	(1.5)
Tax on ordinary activities – prior year	–	0.5	0.4
Effect of reduction in UK corporation tax rate	(0.1)	(0.3)	(0.5)
Tax on exceptional items	(0.4)	–	–
	(1.7)	(0.5)	(1.6)
Tax charge for the year	(2.3)	(1.0)	(2.6)

A number of changes to the UK Corporation Tax system were announced in the June 2010 Budget Statement. The Finance Act 2011 includes legislation reducing the main rate of corporation tax to 26% from 1 April 2011, reducing this further to 25% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. This has resulted in a restatement of £0.1m for the half year.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 26% to 23%, if these applied to the deferred tax balance at 31 March 2011, would be to reduce the deferred tax asset by approximately £1.7m (including the £0.1m recognised for the half year).

4. Retirement benefit schemes

Defined benefit schemes

The defined benefit obligation as at 30 September 2011 is calculated on a year-to-date basis, using the latest actuarial valuation.

The defined benefit plan assets have been updated to reflect their market value at 30 September 2011. Differences between the expected return on assets have been recognised as an actuarial gain or loss in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

5. Provisions

	Asbestos litigation claims £m	Asbestos litigation costs £m	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 31 March 2010	20.3	7.5	3.6	0.7	32.1
Exchange differences	(0.8)	(0.3)	(0.1)	–	(1.2)
Additions in the period	–	–	0.6	–	0.6
Unwinding of discount	–	0.2	–	–	0.2
Utilised in the period	–	(1.2)	(0.8)	(0.1)	(2.1)
At 30 September 2010	19.5	6.2	3.3	0.6	29.6
Exchange differences	(0.2)	(0.1)	0.1	–	(0.2)
Additions in the period	–	–	0.4	0.1	0.5
Unwinding of discount	0.6	–	–	–	0.6
Utilised in the period	–	(0.4)	(0.8)	(0.1)	(1.3)
At 31 March 2011	19.9	5.7	3.0	0.6	29.2
Exchange differences	0.5	0.2	–	–	0.7
Additions in the period	–	–	0.5	–	0.5
Unwinding of discount	0.3	0.1	–	–	0.4
Utilised in the period	–	(0.2)	(1.0)	(0.1)	(1.3)
At 30 September 2011	20.7	5.8	2.5	0.5	29.5
Analysis of provisions:					
Current	1.1	0.3	0.9	0.3	2.6
Non-current	19.6	5.5	1.6	0.2	26.9
At 30 September 2011	20.7	5.8	2.5	0.5	29.5

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

	Half year ended 30 Sept 2011 £m	Half year ended 30 Sept 2010 £m	Year ended 31 March 2011 £m
Operating profit	6.0	3.6	8.0
Adjustments for:			
Depreciation	2.4	2.9	4.9
Loss on disposal of fixed assets	–	0.1	0.3
Pensions payments in excess of charge	(3.0)	(1.8)	(3.5)
Exceptional items (pension curtailment)	(1.0)	–	–
Movement in fair value of financial instruments	–	0.1	0.1
Share options charge	0.2	–	0.1
Grant income released	(0.1)	(0.1)	(0.1)
Changes in working capital:			
Inventories	0.3	(0.2)	(0.7)
Trade debtors	(1.3)	(1.0)	1.6
Trade creditors	0.7	(2.0)	(0.8)
Changes in trading working capital	(0.3)	(3.2)	0.1
Other debtors	0.9	0.9	0.1
Other creditors	(0.8)	0.7	1.4
Net movement in environmental provisions	(0.1)	(0.1)	(0.1)
Net movement in reorganisation provisions	(0.5)	(0.2)	(0.6)
Net movement in asbestos litigation cost provisions	(0.2)	(1.2)	(1.6)
Cash generated from operations	3.5	1.7	9.1
Cash generated from operations before exceptional items	3.8	3.8	10.8
Cash outflows from exceptional items	(0.3)	(2.1)	(1.7)
Cash generated from operations	3.5	1.7	9.1

Analysis of cash and cash equivalents and borrowings

	At 1 April 2011 £m	Cash flow £m	Exchange movement £m	At 30 Sept 2011 £m
Cash and cash equivalents	14.7	1.5	(0.1)	16.1
Overdrafts	(1.5)	0.4	–	(1.1)
	13.2	1.9	(0.1)	15.0
Borrowings due within one year	(0.2)	0.1	–	(0.1)
Borrowings and other financial liabilities due after more than one year	(0.5)	–	–	(0.5)
	(0.7)	0.1	–	(0.6)
Total	12.5	2.0	(0.1)	14.4