Interim Report 2012

Growing smarter

Secure sustainable returns

Scapa Group plc

A global business that's close to its customers

KPIs

Return on sales (*1)
6.3%

Return on capital employed (*2)
2.6%
(6 months)

Net cash (*4)
£8.5m

Trading profit growth
30%

Lost time injury frequency rate (*3)
1.7

Interest cover (*5)
18.2x

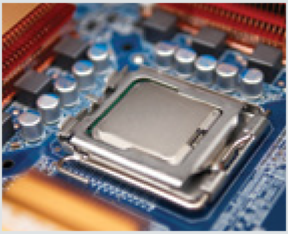
Industrial

Revenue
£69.9m
-8.7%
Trading profit
£3.8m
+2.7%
Trading margin
5.4%

Healthcare

Revenue
£28.0m
+73.9%
Trading profit
£3.4m
+47.8%
Trading margin
12.1%

Electronics



Revenue
£5.3m
-10.2%
Trading loss
(£0.2m)
+50%
Trading margin
-3.8%

(*1) Trading profit/sales
(*2) Profit after tax/total assets – current liabilities
(*3) Accidents per 200,00 worked hours
(*4) Cash generated from operations before exceptional items
(*5) EBITDA/net interest payable

Who we are

Scapa is a global manufacturer of bonding materials and solutions; we are at the forefront of adhesive technology in the Industrial, Healthcare and Electronics markets.

What we do

Through an application driven focus, we support our global OEMs, distributors and consumers in maximising their product performance and process efficiency.

Financial highlights

- Trading profit* +30% increase to £6.5m
- Profit before tax +15% increase to £6.3m
- Net cash of £8.5m, up £1.5m from March 2012

Revenue
£103.2m
+4.7%

Trading profit
£6.5m
+30%

Operational highlights

- WEBTEC business fully integrated
- Investment in Healthcare business continued
- Focus on higher quality revenue and lowering cost to serve
- Strong working capital management sustained and improved

Net cash
£8.5m
+£1.5m

Earnings per share
2.7p
+22.7%

Profit before tax
£6.3m
+14.5%

Results summary	Half year ended 30 Sept 2012 £m	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Revenue	**103.2**	98.6	195.6
Trading profit	**6.5**	5.0	10.7
Operating profit	**6.9**	6.0	11.7
Net finance costs	**(0.6)**	(0.5)	(1.2)
Profit on ordinary activities	**6.3**	5.5	10.5
Basic EPS (p)	**2.7p**	2.2p	4.5p

* Operating profit before exceptional items and amortisation of intangible assets.

Interim Management Report

We are pleased to report a solid performance for the six months to September 2012. Revenue increased 4.7% supported by the acquisition of WEBTEC, the Healthcare business acquired in December 2011, offsetting weakness in the European Industrial business. Trading profits increased 30% to £6.5m and we continue to make further progress on increasing our margins through development programmes for improving efficiency, cost reduction and focus on higher quality revenue streams.

Revenue and profits

Group revenue increased £4.6m to £103.2m (2011/12: £98.6m). Adjusting for the effect of exchange rates, revenue growth was £7.4m. WEBTEC contributed £12.1m, with pre-acquisition underlying revenue contracting by £4.7m.

Group operating profits were ahead of the prior year at £6.9m (2011/12: £6.0m). This included a pension settlement gain of £1.1m which has been presented as an exceptional item (2011/12: £1.0m) and is stated after amortisation costs of £0.7m (2011/12: £Nil). Trading profits were £6.5m (2011/12: £5.0m) which further improved our profit margin to 6.3% (2011/12: 5.1%) as our focus on self-help measures of efficiency and cost reduction continue to improve performance.

Interest income and expense

Net interest payable was £0.5m (2011/12: £Nil) and relates to our banking facility drawings that were used to acquire WEBTEC. Other finance charges of £0.1m (2011/12: £0.1m) relate to the unwinding of the discount on the product liability provision (2011/12: £0.1m). IAS 19 finance costs were £Nil (2011/12: £0.4m) with the reduction due to the low discount rate used to impute interest on the liabilities.

Taxation charge

The tax charge for the period is £2.4m (2011/12: £2.3m). This is a combination of a current tax charge of £1.1m (2011/12: £0.6m) and a deferred tax charge of £1.3m (2011/12: £1.7m). The deferred tax charge is affected by the change in rate of UK corporation tax from 24% to 23%, giving a £0.2m charge in the period (2011/12: £0.1m). Coupled with fixed tax payable on activity or presence in certain jurisdictions, this gives the Group a headline effective rate of 38% (2011/12: 42%), which is above the UK corporation tax rate of 24%. Removing the exceptional income and change in UK corporation tax the underlying effective tax rate for the period is 37% (2011/12: 40%).

Earnings per share

The profit attributable to shareholders for the current period amounts to £3.9m (2011/12: £3.2m). This equates to basic earnings per share of 2.7p (2011/12: 2.2p) and earnings per share, adjusted for exceptional items and amortisation, of 2.5p (2011/12: 1.8p).

Cash flow

The net cash balance at 30 September 2012 was £8.5m (31 March 2012: £7.0m). Cash flow from operating activities before exceptional items was healthy at £6.3m (2011/12: £3.8m). Total spend against exceptional items was £0.5m (2011/12: £0.3m); these relate to items recognised in the income statement in prior years and include asbestos litigation and environmental provisions. Capital investment in the period was £2.0m (2011/12: £1.0m) reflecting investment in cost out and efficiency opportunities. Tax cash outflow was £1.8m (2011/12: £0.5m), an increase on the prior year as in certain jurisdictions carried forward losses have been fully utilised and we have moved to payments on account. The Group still carries significant historical losses and expects cash tax outflow to be under the tax charge for some time.

Markets and regions

Industrial revenue was £69.9m (2011/12: £76.6m), a decrease of 8.7% on the prior year. At a constant exchange rate, revenue was down 4.8%. This reflects both the continued deliberate rationalisation of the product range and the macroeconomic environment, which continues to be challenging, particularly in Europe, and impacted demand in Automotive and Infrastructure sectors. Our Consumer business, however, has continued to grow driven by our Consumable strategy which is to expand our product portfolio beyond tapes and gain market share by increasing our points of sale. During the year, we launched Barnier Deco line to address the Paint and Decorative market following the successful launch of our Barnier System portfolio.

Despite the challenging environment we have continued our focus on improving operational efficiency which has seen the Industrial trading profit margin improve to 5.4% (2011/12: 4.8%). Healthcare revenue increased 73.9% to £28.0m (2011/12: £16.1m). Excluding WEBTEC, Healthcare revenue was £15.9m. The integration of WEBTEC continues to progress well and the new product launch for a global woundcare company in this half year has been well executed and well received. Leveraging the success, we have developed a strong and growing pipeline of opportunities to provide our OEM partners with turn-key solutions and wider product offerings, albeit we are also seeing customers tighten their supply chains and remove safety stock on the back of weakening demand for some of their consumer products which we anticipate will continue into the second half of the year. We have continued to invest in the Healthcare business in both R&D and customer account management to expand our capabilities as we pursue the turn-key strategy which addresses the growing trend for outsourcing in the Healthcare market. Trading profit for the period significantly increased to £3.4m (2011/12: £2.3m) with the margin reducing to 12.1% from 14.3% in the prior year reflecting the upfront investments.

Electronics revenue was £5.3m (2011/12: £5.9m). On a slightly lower revenue base, the loss on operations reduced from £0.4m to £0.2m as we continue to reposition Asia towards the Electronics market and transition away from commodity-based products. While revenue has been broadly flat the mix of the revenue and customer portfolio has significantly improved, with the investment in a new production line and R&D facility underpinning future opportunities. We continue to see pleasing successes, being designed into major OEM electronic devices, and working on a number of new opportunities covering hand-held devices, flat screen TVs, mobile phones and a broader range of white goods. While there has been a slowdown in the Consumer Electronics market and Asia, particularly in China, we remain excited at the potential and the opportunities in the region and remain confident in our strategy.

North America delivered a strong performance with trading profit of £5.4m (2011/12: £3.9m) on revenue of £49.0m (2011/12: £36.9m). WEBTEC contributed £12.1m with a margin of 12.4%, meaning that the underlying business saw flat year-on-year sales of £36.9m (2011/12: £36.9m) and profit of £3.9m (2011/12: £3.9m). The contribution of WEBTEC helped increase the North American margin to 11.0% (2011/12: 10.6%).

Sales in Europe of £48.4m (2011/12: £55.8m) decreased £7.4m or 13.3%. When adjusted for the effect of exchange rate movements, the decrease was 7.8%. Europe delivered a trading profit of £1.9m (2011/12: £2.2m) maintaining margins at 3.9%.

Pensions

The pension deficit at 30 September 2012 increased by £11.1m to £50.0m (31 March 2012: £38.9m) driven by a large increase in the UK liabilities of £10.1m as result of a reduction in the rate used to discount the future commitments to 4.3% (31 March 2012: 4.75%). Asset values in the UK schemes remained relatively flat. During the first half, we have continued to execute the roadmap to address our pension deficit which has helped to partially offset the increase. The liability increases would have been higher had it not been for the merger of two of the UK schemes in the period. As part of the merger a number of liabilities were extinguished, a settlement gain of £1.1m being recognised on these transactions. The next phase of our UK pension plan is to review the asset strategy for the schemes. The overseas schemes also saw liability increases owing to discount rate reductions, and the combined deficits on these schemes increased £0.7m to £7.2m (31 March 2012: £6.5m).

During the period the Group made cash payments in excess of the operating charge of £3.2m (2011/12: £3.0m). The cash payments include £1.9m of normal contributions and £0.5m of catch-up contributions as the company exceeded targets agreed with the Trustees at the last valuation, the residual £0.8m of cash being PPF and other administration costs associated with managing the liability.

Interim Management Report continued

Product liability

The position with regard to the asbestos claim liability has been reviewed in light of the six months' experience since March 2012. The conclusion of the Board is that the provision recognised at 31 March 2012 remains appropriate. The £0.1m movement in the corresponding asset and liability to £20.6m (31 March 2012: £20.5m) 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 2012 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.

Going concern

The Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

Outlook

The Group has reported another solid set of results and continues to see growth in profit, margins and cash. Our strategy of creating a more balanced market position by expanding our presence in higher value markets, concentrating on our customers and value, and our focussing internally on self-help and efficiency, continues to be successful. While mindful of the current economic climate the Board is confident that the Group has the right strategy for future growth and will meet its profit expectations for the full year.

James A S Wallace

James A S Wallace
Chairman
27 November 2012

Consolidated Income Statement

For the half year ended 30 September 2012 (unaudited)

All on continuing operations	note	**Half year ended 30 Sept 2012 £m**	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Revenue	2	**103.2**	98.6	195.6
Operating profit	2	**6.9**	6.0	11.7
Trading profit*		**6.5**	5.0	10.7
Amortisation of intangible assets		**(0.7)**	–	(0.4)
Exceptional items		**1.1**	1.0	1.4
Operating profit	2	**6.9**	6.0	11.7
Interest payable		**(0.5)**	(0.1)	(0.3)
Interest receivable		**–**	0.1	–
Net interest payable		**(0.5)**	–	(0.3)
Net discount on provisions and other receivables		**(0.1)**	(0.1)	(0.2)
IAS 19 finance costs		**–**	(0.4)	(0.7)
Net finance costs		**(0.6)**	(0.5)	(1.2)
Profit on ordinary activities before tax		**6.3**	5.5	10.5
Tax on operating activities	6	**(1.9)**	(1.8)	(3.4)
Tax on exceptional items	6	**(0.3)**	(0.4)	–
Impact of change in tax rate on deferred tax	6	**(0.2)**	(0.1)	(0.6)
Tax charge		**(2.4)**	(2.3)	(4.0)
Profit for the period		**3.9**	3.2	6.5
Weighted average number of shares		**146.1**	145.1	145.3
Basic earnings per share (p)		**2.7**	2.2	4.5
Diluted earnings per share (p)		**2.5**	2.1	4.3

Consolidated Statement of Comprehensive Income

For the half year ended 30 September 2012 (unaudited)

All on continuing operations	**Half year ended 30 Sept 2012 £m**	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Profit for the period	**3.9**	3.2	6.5
Exchange differences on translating foreign operations	**(1.7)**	(0.1)	(1.2)
Actuarial loss	**(15.6)**	(9.5)	(10.9)
Deferred tax on actuarial loss	**3.6**	2.4	3.2
Effect of reduction in UK corporation tax on deferred tax	**(0.3)**	(0.1)	(0.6)
Other comprehensive expense for the period	**(14.0)**	(7.3)	(9.5)
Total recognised loss for the period	**(10.1)**	(4.1)	(3.0)

*Operating profit before exceptional items and amortisation of intangible assets.

The notes on pages 9 to 16 form an integral part of this interim financial report.

Consolidated Balance Sheet

As at 30 September 2012 (unaudited)

	note	**Half year ended 30 Sept 2012 £m**	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Assets				
Non-current assets				
Goodwill		**25.0**	12.4	25.1
Intangible assets		**5.8**	–	6.6
Property, plant and equipment		**39.3**	36.6	40.4
Deferred tax asset		**30.2**	28.6	28.3
Other receivables		**19.8**	19.9	19.6
		120.1	97.5	120.0
Current assets				
Assets held for resale		**0.6**	0.6	0.6
Inventory		**21.2**	21.4	20.8
Trade and other receivables		**36.9**	34.8	36.9
Current tax asset		**0.1**	0.2	0.1
Financial assets – derivative financial instruments		**–**	0.1	–
Restricted cash		**–**	6.4	–
Cash and cash equivalents	9	**15.2**	16.1	16.9
		74.0	79.6	75.3
Liabilities				
Current liabilities				
Financial liabilities:				
– borrowings and other financial liabilities	9	**(0.2)**	(1.2)	(0.4)
– derivative financial instruments		**(0.2)**	(0.1)	–
Trade and other payables		**(36.0)**	(32.3)	(34.0)
Deferred consideration		**(6.2)**	–	(6.3)
Current tax liabilities		**(0.4)**	(0.7)	(1.3)
Provisions	8	**(2.1)**	(2.6)	(2.0)
		(45.1)	(36.9)	(44.0)
Net current assets		**28.9**	42.7	31.3
Non-current liabilities				
Financial liabilities – borrowings and other financial liabilities	9	**(6.5)**	(0.5)	(9.5)
Trade and other payables		**(0.4)**	(1.1)	(0.7)
Deferred consideration		**(3.0)**	–	(2.9)
Deferred tax liabilities		**(4.9)**	(4.9)	(4.8)
Non-current tax liabilities		**(1.5)**	(1.3)	(1.5)
Retirement benefit obligations	7	**(50.0)**	(40.8)	(38.9)
Provisions	8	**(26.9)**	(26.9)	(26.9)
		(93.2)	(75.5)	(85.2)
Net assets		**55.8**	64.7	66.1
Shareholders' equity				
Ordinary shares		**7.3**	7.3	7.3
Share premium		**0.2**	0.1	0.2
Retained earnings		**32.4**	38.6	41.0
Translation reserve		**15.9**	18.7	17.6
Total shareholders' equity		**55.8**	64.7	66.1

The notes on pages 9 to 16 form an integral part of this interim financial report.

Consolidated Statement of Changes in Equity

For the half year ended 30 September 2012 (unaudited)

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
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
Issue of share capital	–	0.1	–	–	0.1
Employee share option scheme – value of employee services	–	–	–	0.2	0.2
Currency translation differences	–	–	(1.1)	–	(1.1)
Actuarial loss on pension schemes	–	–	–	(1.4)	(1.4)
Deferred tax on actuarial loss	–	–	–	0.8	0.8
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.5)	(0.5)
Net income recognised directly in equity	–	–	(1.1)	(1.1)	(2.2)
Profit for the period	–	–	–	3.3	3.3
Total comprehensive income	–	–	(1.1)	2.2	1.1
Balance at 31 March 2012	7.3	0.2	17.6	41.0	66.1
Employee share option scheme – value of employee services	–	–	–	(0.2)	(0.2)
Currency translation differences	–	–	(1.7)	–	(1.7)
Actuarial loss on pension schemes	–	–	–	(15.6)	(15.6)
Deferred tax on actuarial loss	–	–	–	3.6	3.6
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.3)	(0.3)
Net income recognised directly in equity	–	–	(1.7)	(12.3)	(14.0)
Profit for the period	–	–	–	3.9	3.9
Total comprehensive income	–	–	(1.7)	(8.4)	(10.1)
Balance at 30 September 2012	**7.3**	**0.2**	**15.9**	**32.4**	**55.8**

The notes on pages 9 to 16 form an integral part of this interim financial report.

Consolidated Cash Flow Statement

For the half year ended 30 September 2012 (unaudited)

All on continuing operations	note	**Half year ended 30 Sept 2012 £m**	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Cash flows from operating activities				
Net cash flow from operations	9	**5.8**	3.5	9.9
Cash generated from operations before exceptional items*	9	**6.3**	3.8	10.7
Cash outflows from exceptional items*	9	**(0.5)**	(0.3)	(0.8)
Net cash flow from operations		**5.8**	3.5	9.9
Net interest paid		**(0.1)**	–	(0.2)
Income tax paid		**(1.8)**	(0.5)	(0.9)
Net cash generated from operating activities		**3.9**	3.0	8.8
Cash flows (used in)/from investing activities				
Acquisition of subsidiary		**–**	–	(18.0)
Purchase of property, plant and equipment		**(2.0)**	(1.0)	(2.6)
Proceeds from sale of property, plant and equipment		**–**	–	0.2
Net cash used in investing activities		**(2.0)**	(1.0)	(20.4)
Cash flows (used in)/from financing activities				
Issue of shares		**–**	–	0.1
Other non-current investment movement		**(0.1)**	–	6.3
Increase in borrowings		**–**	–	15.4
Repayment of borrowings		**(3.0)**	(0.1)	(6.5)
Net cash (used in)/from financing activities		**(3.1)**	(0.1)	15.3
Net (decrease)/increase in cash and cash equivalents		**(1.2)**	1.9	3.7
Cash and cash equivalents at beginning of the period		**16.7**	13.2	13.2
Exchange losses on cash and cash equivalents		**(0.3)**	(0.1)	(0.2)
Cash and cash equivalents at end of period	9	**15.2**	15.0	16.7

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

Notes

1. General information

Scapa Group plc (the Company) and its subsidiaries (together the Group) manufacture and sell technical adhesive tapes. 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, Greater Manchester, OL7 0ED. The Company has its listing on the Alternative Investment Market.

The financial information for the period ended 30 September 2012 and similarly the period ended 30 September 2011 has been neither audited nor reviewed by the auditor. The financial information for the year ended 31 March 2012 has been based on information in the audited financial statements for that period.

The information for the year ended 31 March 2012 and the interim condensed financial statements for the period ended 30 September 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2012 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under 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 condensed financial statements as applied in the Group's latest annual audited financial statements.

Critical accounting estimates and judgements

The preparation of the interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2012.

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 condensed financial statements.

2. Segmental reporting

The Group trades across three business units: Industrial, Healthcare and Electronics, and in three main geographical areas: Europe, North America and Asia. All inter-segment transactions are made on an arms-length basis. The Group has continued to focus more on business units than geographical areas for strategic planning of the Group. Geographical information is presented to provide supplementary information about the areas in which the Group operates for the benefit of investors.

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

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

Notes continued

2. Segmental reporting continued

Segment results – 30 September 2012

The segment results for the half year ended 30 September 2012 are as follows:

	Industrial £m	Healthcare £m	Electronics £m	Head office £m	Group £m
External revenue	69.9	28.0	5.3	–	103.2
Trading profit/(loss)	3.8	3.4	(0.2)	(0.5)	6.5
Amortisation of intangible assets	–	(0.7)	–	–	(0.7)
Exceptional items and movements in exceptional provisions	0.6	–	–	0.5	1.1
Operating profit/(loss)	4.4	2.7	(0.2)	–	6.9
Net finance costs					(0.6)
Profit on ordinary activities before tax					**6.3**
Tax charge					(2.4)
Profit for the period					**3.9**

	Europe £m	N America £m	Asia £m	Eliminations £m	Head office £m	Group £m
External revenue	48.4	49.0	5.8	–	–	103.2
Inter-segment revenue	2.7	1.1	0.2	(4.0)	–	–
Total revenue	51.1	50.1	6.0	(4.0)	–	103.2
Trading profit/(loss)	1.9	5.4	(0.3)	–	(0.5)	6.5
Amortisation of intangible assets	–	(0.7)	–	–	–	(0.7)
Exceptional items	0.6	–	–	–	0.5	1.1
Operating profit/(loss)	2.5	4.7	(0.3)	–	–	6.9
Net finance costs						(0.6)
Profit on ordinary activities before tax						**6.3**
Tax charge						(2.4)
Profit for the period						**3.9**

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 £m	Group £m
External revenue	43.8	45.1	14.3	103.2

Segment results – 30 September 2011

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

	Industrial £m	Healthcare £m	Electronics £m	Head office £m	Group £m
External revenue	76.6	16.1	5.9	–	98.6
Trading profit/(loss)	3.7	2.3	(0.4)	(0.6)	5.0
Exceptional items and movements in exceptional provisions	1.0	–	–	–	1.0
Operating profit/(loss)	4.7	2.3	(0.4)	(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**

2. Segmental reporting continued

	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
Trading profit/(loss)	2.2	3.9	(0.5)	–	(0.6)	5.0
Exceptional items	–	1.0	–	–	–	1.0
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**

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

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

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:

	Industrial £m	Healthcare £m	Electronics £m	Head office £m	Group £m
External revenue	76.6	16.1	5.9	–	98.6
Foreign exchange	(3.2)	0.3	0.1	–	(2.8)
Underlying external revenue	73.4	16.4	6.0	–	95.8
Trading profit/(loss)	3.7	2.3	(0.4)	(0.6)	5.0
Foreign exchange	(0.1)	–	–	–	(0.1)
Underlying trading profit/(loss)	3.6	2.3	(0.4)	(0.6)	4.9

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	55.8	36.9	5.9	–	98.6
Foreign exchange	(3.3)	0.4	0.1	–	(2.8)
Underlying external revenue	52.5	37.3	6.0	–	95.8
Trading profit/(loss)	2.2	3.9	(0.5)	(0.6)	5.0
Foreign exchange	(0.2)	0.1	–	–	(0.1)
Underlying trading profit/(loss)	2.0	4.0	(0.5)	(0.6)	4.9

Notes continued

2. Segmental reporting continued

Segment results – 31 March 2012

The segment results for the year ended 31 March 2012 are as follows:

	Industrial £m	Healthcare £m	Electronics £m	Head office £m	Group £m
External revenue	145.9	39.5	10.2	–	195.6
Trading profit/(loss)	7.2	5.5	(0.8)	(1.2)	10.7
Amortisation of intangible assets	–	(0.4)	–	–	(0.4)
Exceptional items and movements in exceptional provisions	0.9	(0.1)	–	0.6	1.4
Operating profit/(loss)	8.1	5.0	(0.8)	(0.6)	11.7
Net finance costs					(1.2)
Profit on ordinary activities before tax					**10.5**
Tax charge					(4.0)
Profit for the year					**6.5**

	Europe £m	N America £m	Asia £m	Eliminations £m	Head office £m	Group £m
External revenue	107.9	76.6	11.1	–	–	195.6
Inter-segment revenue	5.1	2.3	0.8	(8.2)	–	–
Total revenue	113.0	78.9	11.9	(8.2)	–	195.6
Trading profit/(loss)	5.9	6.8	(0.8)	–	(1.2)	10.7
Amortisation of intangible assets	–	(0.4)	–	–	–	(0.4)
Exceptional items and movements in exceptional provisions	0.4	0.4	–	–	0.6	1.4
Operating profit/(loss)	6.3	6.8	(0.8)	–	(0.6)	11.7
Net finance costs						(1.2)
Profit on ordinary activities before tax						**10.5**
Tax charge						(4.0)
Profit for the year						**6.5**

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

	Europe £m	N America £m	Asia £m	Group £m
External revenue	96.5	69.2	29.9	195.6

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:

	Industrial £m	Healthcare £m	Electronics £m	Head office £m	Group £m
External revenue	145.9	39.5	10.2	–	195.6
Foreign exchange	(5.1)	(0.1)	0.3	–	(4.9)
Underlying external revenue	140.8	39.4	10.5	–	190.7
Trading profit/(loss)	7.2	5.5	(0.8)	(1.2)	10.7
Foreign exchange	(0.4)	–	–	–	(0.4)
Underlying trading profit/(loss)	6.8	5.5	(0.8)	(1.2)	10.3

2. Segmental reporting continued

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	107.9	76.6	11.1	–	195.6
Foreign exchange	(5.3)	0.4	–	–	(4.9)
Underlying external revenue	102.6	77.0	11.1	–	190.7
Trading profit/(loss)	5.9	6.8	(0.8)	(1.2)	10.7
Foreign exchange	(0.4)	–	–	–	(0.4)
Underlying trading profit/(loss)	5.5	6.8	(0.8)	(1.2)	10.3

3. Segment assets and liabilities

The chief operating decision maker does not review assets and liabilities by business unit but by geographical area. The assets and liabilities at 30 September 2012 and capital expenditure for the period then ended can be analysed into geographical segments as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Inventory	9.9	9.6	1.7	–	21.2
Trade receivables	16.9	14.8	2.2	–	33.9
Trade payables	(16.6)	(7.1)	(0.6)	(0.9)	(25.2)
Cash	7.5	3.3	1.4	3.0	15.2
Additions of property, plant and equipment	0.8	1.1	–	0.4	2.3

The assets and liabilities at 30 September 2011 and capital expenditure for the period then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Inventory	11.4	8.0	2.0	–	21.4
Trade receivables	19.2	10.5	2.2	–	31.9
Trade payables	(16.4)	(5.0)	(0.7)	(0.8)	(22.9)
Cash	6.6	1.2	1.4	6.9	16.1
Additions of property, plant and equipment	1.1	0.3	0.2	–	1.6

The assets and liabilities at 31 March 2012 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Inventory	10.3	8.7	1.8	–	20.8
Trade receivables	19.4	11.9	1.8	–	33.1
Trade payables	(15.7)	(5.9)	(0.6)	(0.9)	(23.1)
Cash	8.0	3.1	1.8	4.0	16.9
Additions of property, plant and equipment	1.7	0.9	0.3	0.2	3.1

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

Notes continued

4. Related party transactions

As part of the WEBTEC acquisition the Group has provided for deferred consideration payments of US$10.0m and US$5.0m due on the achievement of certain performance targets over the next two years. Randy Holmes (Director of Global Development) is part owner of the company that will be paid these contingent amounts.

The Group has incurred £0.1m of property lease costs during the period, payable to HPB Investments, a company owned in part by Randy Holmes. The lease expires in August 2019 and the annual lease cost is £0.2m.

5. Key management compensation

	Half year ended 30 Sept 2012 £m	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Short-term employment benefits	**1.4**	1.0	2.3
Post employment benefits	**0.1**	0.1	0.2
Termination benefit	**–**	–	0.1
Share based payments (including share incentive plan)	**(0.1)**	0.6	0.9
	1.4	1.7	3.5

Key management is defined as the Leadership Team, as defined in the annual financial statements.

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

6. Taxation

	Half year ended 30 Sept 2012 £m	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Current tax:			
Tax on ordinary activities – current year	**(1.2)**	(0.5)	(2.2)
Tax on ordinary activities – prior year	**0.1**	(0.1)	0.2
	(1.1)	(0.6)	(2.0)
Deferred tax:			
Tax on ordinary activities – current year	**(0.8)**	(1.2)	(1.5)
Tax on ordinary activities – prior year	**–**	–	0.1
Effect of reduction in UK corporation tax rate to 23%	**(0.2)**	(0.1)	(0.6)
Tax on exceptional items	**(0.3)**	(0.4)	–
	(1.3)	(1.7)	(2.0)
Tax charge for the year	**(2.4)**	(2.3)	(4.0)

In addition to the change in rate of corporation tax to 23% disclosed above within the note on taxation, a further reduction to the main rate is proposed to reduce the rate by 1% per annum to 22% from 1 April 2014. This further change had not been substantively enacted at the Balance Sheet date and therefore is not included in these interim condensed financial statements.

The proposed reduction of the main rate of corporation tax by 1% to 22% from 1 April 2014 is expected to be enacted in the Finance Act 2013. The overall effect of the further change from 23% to 22%, if this applied to the deferred tax balance at the Balance Sheet date, would be to reduce the deferred tax asset by £0.7m (being £0.7m recognised in 2014).

7. Retirement benefit schemes

Defined benefit schemes

The defined benefit obligation as at 30 September 2012 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 2012. 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.

8. Provisions

	Asbestos litigation claims £m	Asbestos litigation costs £m	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
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
Exchange differences	(0.5)	(0.2)	–	–	(0.7)
Additions in the period	–	–	0.3	–	0.3
Acquisition of subsidiary	–	–	0.4	–	0.4
Unwinding of discount	0.3	0.1	–	–	0.4
Released in the period	–	–	(0.5)	–	(0.5)
Utilised in the period	–	(0.2)	(0.2)	(0.1)	(0.5)
At 31 March 2012	20.5	5.5	2.5	0.4	28.9
Exchange differences	(0.1)	(0.1)	–	–	(0.2)
Additions in the period	–	–	0.3	–	0.3
Unwinding of discount	0.2	0.1	–	–	0.3
Utilised in the period	–	(0.1)	(0.2)	–	(0.3)
At 30 September 2012	**20.6**	**5.4**	**2.6**	**0.4**	**29.0**
Analysis of provisions:					
Current	1.0	0.3	0.6	0.2	2.1
Non-current	19.6	5.1	2.0	0.2	26.9
At 30 September 2012	**20.6**	**5.4**	**2.6**	**0.4**	**29.0**

Notes continued

9. Reconciliation of operating profit to operating cash flow and reconciliation of net cash

	Half year ended 30 Sept 2012 £m	Half year ended 30 Sept 2011 £m	Year ended 31 March 2012 £m
Operating profit	**6.9**	6.0	11.7
Adjustments for:			
Depreciation and amortisation	**3.3**	2.4	5.0
Profit on disposal of fixed assets	**–**	–	(0.1)
Pensions payments in excess of charge	**(3.2)**	(3.0)	(5.4)
Exceptional items (pension curtailment)	**(1.1)**	(1.0)	(2.1)
Movement in fair value of financial instruments	**(0.1)**	–	(0.1)
Share options (release)/charge	**(0.2)**	0.2	0.4
Grant income released	**(0.1)**	(0.1)	(0.3)
Changes in working capital:			
Inventories	**(0.9)**	0.3	2.4
Trade debtors	**(1.4)**	(1.3)	(0.5)
Trade creditors	**2.6**	0.7	(0.1)
Changes in trading working capital	**0.3**	(0.3)	1.8
Other debtors	**0.6**	0.9	0.3
Other creditors	**(0.6)**	(0.8)	0.2
Net movement in environmental provisions	**–**	(0.1)	(0.2)
Net movement in reorganisation provisions	**0.1**	(0.5)	(0.9)
Net movement in asbestos litigation cost provisions	**(0.1)**	(0.2)	(0.4)
Cash generated from operations	**5.8**	3.5	9.9
Cash generated from operations before exceptional items	**6.3**	3.8	10.7
Cash outflows from exceptional items	**(0.5)**	(0.3)	(0.8)
Cash generated from operations	**5.8**	3.5	9.9

Analysis of cash and cash equivalents and borrowings

	At 1 April 2012 £m	Cash flow £m	Exchange movement £m	**At 30 Sept 2012 £m**
Cash and cash equivalents	16.9	(1.4)	(0.3)	**15.2**
Overdrafts	(0.2)	0.2	–	**–**
Borrowings due within one year	(0.2)	–	–	**(0.2)**
Borrowings and other financial liabilities due after more than one year	(9.5)	3.0	–	**(6.5)**
	(9.7)	3.0	–	**(6.7)**
Total	7.0	1.8	(0.3)	**8.5**

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Scapa Asia
T +852 2439 4330

Scapa North America
T +1 860 688 8000

Scapa South America
T +55 11 2589 6003

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UK	Switzerland	Germany	France	Italy
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