29 May 2012

Scapa Group plc
Preliminary Results

Scapa Group plc, a global manufacturer of bonding materials and solutions, today announces its Preliminary Results for the year ended 31 March 2012.

Financial Highlights

- Revenue grew 1.7% to £195.6m (2011: £192.3m)
- Trading profit* increased 33.8% to £10.7m (2011: £8.0m)
- Profit before tax increased 72.1% to £10.5m (2011: £6.1m)
- Trading margins improved progressively to 5.5% for the year (2011: 4.2%)
- Basic earnings per share increased 87.5% to 4.5p (2011: 2.4p)

Operational Highlights

- Industrial trading margins increased to 4.9% (2011: 3.0%)
- Healthcare trading margins increased to 13.9% (2011: 12.7%)
- Successful completion and integration of WEBTEC acquisition
- New Healthcare leadership team appointed to deliver new strategy
- Self-help strategy continues to deliver good growth in cash and profits
- Investments made in emerging economies of Brazil and India
- Strong balance sheet to support strategic investment

Commenting on the results Chief Executive, Heejae Chae said:

"I am delighted to report another year of profit growth and progress for the Group. Our continued focus on higher quality revenues, operational efficiency, cost control and good cash management delivered strong operating profit and cash flow.

"The acquisition of WEBTEC in December 2011 brings with it significant scope for further opportunities and strengthens our position in the Healthcare market. WEBTEC performed in line with expectations and we are confident it will make a solid contribution to the current year's performance.

"The new financial year has commenced with our business performing in line with expectations. We continue to be mindful of the current macro-economic issues but we are well positioned to continue to execute the self-help agenda and to invest in repositioning the Group towards higher value added business. We look forward to making further progress in the new financial year."

For further information:

Scapa Group plc	Heejae Chae – Chief Executive	Tel: 0161 301 7430
Scapa Group plc	Paul Edwards – Finance Director	Tel: 0161 301 7430
Arden Partners	Chris Hardie	Tel: 0207 614 5917
Weber Shandwick Financial	Nick Oborne	Tel: 0207 067 0700

* Operating profit before exceptional items and amortisation of intangible assets

Chairman's Statement

I am delighted to report another year of profit growth and progress for the Group. Our continued focus on higher quality revenues, operational efficiency, cost control and good cash management delivered strong operating profit and cash flow.

Overview

Against a backdrop of slowing economic growth and a turbulent macro-economic environment, during the fiscal year 2012 we continued to deliver on our strategy of margin improvement and cash generation through self-help measures. Whilst we are pleased with the progress, we believe that the opportunity for further improvement remains, and a number of new initiatives will be implemented during the current year.

In addition to driving organic growth of profit and cash generation, we acquired WEBTEC Converting LLC (WEBTEC) in December 2011. WEBTEC is a leading contract manufacturer and full-service converter, printer and packager of adhesive-backed medical devices. WEBTEC's capabilities combined with our material expertise enable us to provide turn-key solutions to the Healthcare market. The acquisition provides us with a strong platform for our Healthcare division, augments our management expertise and takes us further toward our goal of balancing our business portfolio across our three market divisions - Industrial, Healthcare and Electronics.

Financial highlights

Revenues grew 1.7% to £195.6m. Trading profit grew by a healthy 33.8% to £10.7m. Profit before tax increased 72.1% to £10.5m and basic earnings per share increased 87.5% to 4.5p, both including non-recurring items.

Strong cash flow and efficient working capital management ensured that we ended the year with net cash of £7.0m (2011: £18.8m), a good result following the acquisition of WEBTEC for an initial cash consideration of £18.0m (US$28.8m).

No dividend is proposed for the year. The future recommendation of dividends will remain under review as the Group continues to make progress towards sustainable profitability and cash generation.

People

As always, on behalf of the Board I would like to thank all of Scapa's employees around the world for their energy, commitment, dedication and hard work over the last financial year. Our people are an invaluable asset of the Group and are core to the further improvement of our performance and the achievement of our goals.

Board and Governance

The Board understands that a commitment to the highest standards of corporate governance is key to managing our business effectively and maintaining investor confidence. The Board has a thorough understanding of the business, knows its senior people and creates a culture which is conducive to open debate on the key issues, at the right level and at the right time.

Good governance adds value and reduces risk; therefore we look to sustain, continually develop and improve our governance arrangements. As in previous years, the Board carried out a self-assessment of its performance to ensure that our corporate governance arrangements meet the needs of the business and corporate governance best practice. The results of this exercise showed that our arrangements accord with best practice and that the Board's mix of skills and experience meet the current needs of our business and will support the next phase of our development.

Outlook

The new financial year has commenced with our business performing in line with expectations. We continue to be mindful of the current macro-economic issues but we are well positioned to continue to execute the self-help agenda and to invest in repositioning the Group towards higher value added business. We look forward to making further progress in the new financial year.

J A S Wallace
Chairman

Business Overview

2011/12 saw the Group build on its strategy of self-help and deliver improved operating profit, margins and cash generation. In December 2011 we also completed the acquisition of WEBTEC Converting LLC (WEBTEC) which complemented our organic growth and maintained our focus on improving the quality of our revenue streams and high margin products and markets.

In the past year we have delivered against the core objectives outlined in May 2011. We have:

- continued the market-focused strategy concentrating on higher quality revenue streams;
- further driven improvements in margin and cash generation and returns from our asset base through focus on self-help measures of cost out, operational efficiencies, centralisation and supply chain optimisation;
- strengthened the commercial and operational management team across the Group; and
- invested in opportunities to grow our business for the medium and longer term.

At the core of our strategy for sustainable growth is a deep understanding of our markets, a global footprint that allows close working relationships with leading international partners and extensive technical knowledge to support the development of application-specific bonding material solutions.

Results

Group revenue in the year was £195.6m (2011: £192.3m) with the acquisition of WEBTEC contributing £5.4m. In line with our strategy of improving the quality of our revenue by reducing complexity and removing low margin cash consuming business, revenue reduced by 1.1%, excluding the contribution from WEBTEC. The split between the first and second half of the financial year was 50.4% and 49.6% respectively, including the contribution from the acquisition. There was no material movement in revenue for the effects of exchange rates in the year.

Trading profit increased 33.8% to £10.7m (2011: £8.0m). Group trading margin improved to 5.5% (2011: 4.2%). The contribution to trading profit from WEBTEC in the year amounted to £0.5m.

Industrial

The Industrial market is the largest segment of the Group's revenue, accounting for 74.6%. Its overall revenue remained in line with the prior year at £145.9m (2011: £145.6m) reflecting further and deliberate rationalisation of its product range. As reported in the interim results good growth was experienced in the Consumer and Cable markets. Trading profit increased 67.4% to £7.2m (2011: £4.3m) and trading margins increased to 4.9% (2011: 3.0%) reflecting both the improved product base and cost efficiencies.

Healthcare

Healthcare revenue increased by 16.9% to £39.5m (2011: £33.8m) on the back of improving market penetration and the growing level of opportunities for Scapa in this market. Healthcare revenue accounted for 20.2% of the Group's revenue and, on a pro-forma basis including WEBTEC, this increases to approximately 26.3%, improving and diversifying the revenue mix of the Group and taking us a step closer to our objective of a balanced market portfolio of revenue. Trading profit increased 27.9% to £5.5m (2011: £4.3m), delivering an improved margin of 13.9% (2011: 12.7%).

Electronics

As expected, Electronics revenue decreased to £10.2m (2011: £12.9m) and the division returned an operating loss of £0.8m (2011: £0.4m profit) driven by lower revenue and additional investments in research and development (R&D) and sales. We continued to move away from commodity business with limited growth potential during the year, closing our cloth tape line in Korea in December 2011. As highlighted in November, our new production line and R&D laboratory came on line during the year and we have seen some pleasing design-in successes as we build up a new product portfolio. We continue to invest in this business for future growth and we believe that Electronics will see an improved performance in the next fiscal year.

Europe
Revenue in Europe increased to £107.9m (2011: £106.7m), a 1.1% increase as we continue to rationalise our product range, rebalancing the product mix by transitioning towards more value add products in our chosen markets. The decrease in revenue from lower margin products was replaced through improved penetration of our consumer, cable, pipeline and emerging technology products which are more application-specific and deliver better margins. As a consequence trading profit improved by 78.8% to £5.9m (2011: £3.3m) improving the margin to 5.5% (2011: 3.1%).

North America
Revenue in North America was £76.6m (2011: £72.7m) a 5.4% increase. The strong growth of Healthcare last year was consolidated this year with the acquisition of WEBTEC, contributing an additional £5.4m in revenue. The strategy of product rationalisation was also implemented in North America, where the consequent reduction in revenue was broadly offset by strong performance in consumer and transportation products. Trading profit improved by 28.3% to £6.8m (2011: £5.3m) with margin improving to 8.9% (2011: 7.3%).

Asia
We continue to invest in our Asian operations and maintain the strategy of concentrating on more value added business, specifically in the Electronics and white goods markets. As a result of the closure of the legacy cloth line in the latter part of this year, revenue declined to £11.1m (2011: £12.9m). We continue to invest in emerging markets, establishing a new presence in India to support the local customer base and further investing in sales and R&D functions to secure the platform for future growth. As a result the region made an operating loss of £0.8m (2011: £0.4m profit).

Exceptional items and intangible amortisation
Total Group operating profit of £11.7m (2011: £8.0m) includes a net exceptional credit of £1.4m (2011: £Nil) and intangible amortisation costs of £0.4m (2011: £Nil). The exceptional credit is made up of pension service credits of £2.1m following the closure of the US defined benefit pension scheme and deficit repair project-work carried out in the UK netted against an exceptional cost of £0.7m relating to the acquisition of WEBTEC in December 2011.

Finance costs
Net finance costs decreased to £1.2m (2011: £1.9m) and comprise net interest payable of £0.3m (2011: £0.3m) and notional interest of £0.9m (2011: £1.6m). The net interest payable related to the £20.0m multicurrency facility put in place in December 2011. The Group's interest cost exposure risk is fully mitigated through an interest rate swap entered into in January 2012. The notional interest relates to the defined benefit pension plans and the unwinding of the discount on the asbestos provision and assets.

Taxation
The Group's tax charge of £4.0m (2011: £2.6m) includes a £3.4m charge (2011: £2.1m) on operating activities and a £0.6m charge (2011: £0.5m) arising from a change in the UK corporation tax rate. The operating activities charge is made up of £1.4m of deferred tax and £2.0m of current tax. The announcement during the year of the future UK corporation tax rate reduction from 26% to 24% had a deferred tax impact of £1.2m (2011: £1.2m), of which £0.6m has been charged through the profit and loss account with the residue following the pension's movement through reserves. The headline effective rate of tax for the Group is 38.1% (2011: 42.6%) and is impacted by another charge following the reduction in the UK's corporation tax rate and from exceptional items which are not taxable. The effective rate excluding these exceptional items is 35.8% (2011: 34.4%). This underlying rate is higher than the UK standard rate of 26% due mainly to the Group operating in territories which have a higher statutory tax rate than the UK. Despite the high effective rate, the Group's cash tax payment in the year was again relatively small at £0.9m (2011: £Nil) as the Group continues to benefit from its brought forward tax losses. As noted in the interim accounts, with continued profitability our cash tax will increase as our brought forward losses are utilised and we move to payments on account in some jurisdictions.

Balance sheet
The Group Balance Sheet remains strong with only a small reduction in net assets from £68.6m in 2011 to £66.1m in the current year. The composition of the Balance Sheet has changed significantly with the acquisition of WEBTEC; the Group has increased borrowings to £9.9m (2011: £2.2m) and non-current assets have increased £23.6m predominantly from the acquisition of WEBTEC's goodwill and other intangible assets of £19.6m. Net cash at the end of the year was £7.0m (2011: £18.8m).

Financial risk management/treasury/credit management
In the normal course of business the Group is exposed to certain financial risks, principally foreign exchange, interest rate risk, liquidity risk and credit risk. Foreign exchange risk is managed predominantly through forward contracts and central decisions on hedging investments and borrowings. All forward contract movements are recognised in the Income Statement at the Balance Sheet date. During January 2012 the Group entered into an interest rate swap transaction to hedge the effects of interest rate movements on its US Dollar borrowings. The Group does not hedge account for the swap and the movements in fair value are taken directly to the Income Statement. Liquidity risk is centrally managed by the Group in conjunction with risk management policies and procedures that are reviewed and approved by the Board. Subject to certain conditions and policy excesses, the Group manages its credit risk of sales made from North America and Europe through credit insurance. In addition tight credit control and a clear central policy and process mean that the Group has very low overdue trading debts and has an excellent track record of recovery.

Acquisition
In December 2011 the Group acquired the business and assets of WEBTEC for an initial cash consideration of US$28.8m (£18.0m). Depending on the achievement of operating profit targets over the two calendar years following acquisition, additional payments of US$10.0m and US$5.0m respectively will become payable, bringing total consideration to £27.2m (discounted). The addition of WEBTEC's conversion and packaging capability brings additional technology and know-how to the Group and complements Scapa's materials expertise and coating technologies; it also introduces a broader customer base and several new key customer contracts. Intangible assets of £7.0m and goodwill of £13.0m have been recognised on acquisition, with £0.4m of the intangible assets being amortised in the year.

Earnings per share
Basic earnings per share was 4.5p (2011: 2.4p) including non-recurring items.

Cash flow
Cash generated by operations increased by 8.8% to £9.9m (2011: £9.1m). Capital expenditure increased to £2.6m net of the acquired assets of WEBTEC (2011: £1.6m) and was below the depreciation charge of £4.6m. The net cash outflow in respect of acquisitions and disposals was £20.4m (2011: £1.3m). Net cash was £7.0m (2011: £18.8m including restricted cash).

Pensions
The IAS 19 pension deficit has increased by £3.9m to £38.9m (2011: £35.0m). During the first half of 2011/12 the US final salary pension scheme was closed, creating a curtailment gain of £1.1m that has been recognised in operating profit. This curtailment gain predominantly offsets increases in the overseas liabilities arising from the reduction in the rate used to discount the future commitments, creating an overall increase in the overseas deficits of £0.3m.

The three UK defined benefit schemes, which are closed to new members and to future accrual, represent the largest portion of the deficit and increased £3.6m to £32.4m (2011: £28.8m). The net movement in the UK deficits was the result of increases in asset values of £6.6m which were lower than the increases in total liabilities of £10.2m, the latter being mainly the impact of the change in discount rate from 5.6% to 4.75%. Despite the large movement in the discount rate the overall increase in liabilities has been contained by gains on two projects concluded in the period: a pension increase exchange project crystalised a net gain of £1.0m in operating profit and £0.8m in reserves, and the successful conclusion of the pensioner equalisation project saw the provision made for equalisation costs reduce by £4.1m.

The Group's cash contributions to defined benefit pension schemes increased £2.0m to £6.4m (2011: £4.4m). The UK contributed £1.4m to this increase, £0.5m being contribution deferral from the prior year, £0.3m of RPI and costs associated with liability management activities and finally £0.6m which included the £0.3m prior year PPF fee after a delay caused by appealing the levy assessment.

As noted above, the Group continues to recognise the deferred tax asset of £9.8m (2011: £9.4m) in respect of future pension deficit reduction payments which gain tax relief at the time of payment (as opposed to accrual). The pension deficit, net of deferred tax, is therefore £29.1m (2011: £25.6m) which includes a provision in the UK schemes for future administration and PPF levy costs of around £7.4m (2011: £5.3m).

Asbestos litigation

The Group carries a liability and equal and opposite insurance asset in relation to asbestos product liability issues in the United States of £20.5m (2011: £19.9m). The Group continues to hold the view that Scapa's products have not been the cause of any alleged personal injury and we therefore continue to adopt the same robust stance with respect to all of the remaining personal injury claims in the USA arising from businesses sold in 1999. The best estimate of total claims filed across varying jurisdictions in the United States against Waycross which are still pending is approximately 7,172 (2011: 8,116), down almost 27,000 since the peak of approximately 34,000 in 2004. The Group undertook a review of the asset and liability during the year and the Directors concluded that the current level of the provision is appropriate. The only movement in the provision and assets from the prior year relates to foreign exchange movements as the liability is in dollars, and the unwind of the discount.

Shareholder funds

Shareholder funds have decreased £2.5m to £66.1m (2011: £68.6m) reflecting a net pension loss in the period of £7.7m (2011: £0.9m gain), profit after tax of £6.5m (2011: £3.5m), movements in equity relating to share issues and share options adding £0.5m (2011: £0.4m), unfavourable currency impact on overseas asset values of £1.2m (2011: £0.8m) and tax charges of £0.6m (2011: £0.7m).

Going concern

The Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget and cash flow forecasts against undrawn facilities of £11.2m (2011: £9.1m) and the availability of financing in the market. The Directors also reviewed downside sensitivity analysis over the forecast period, thereby taking into account the uncertainties arising from the current economic climate. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Consolidated Income Statement
For the year ended 31 March 2012

All on continuing operations	note	**Year ended 31 March 2012 £m**	Year ended 31 March 2011 £m
Revenue	2	**195.6**	192.3
Operating profit	2	**11.7**	8.0
Trading profit*		**10.7**	8.0
Amortisation of intangible assets		**(0.4)**	–
Exceptional items	4	**1.4**	–
Operating profit		**11.7**	8.0
Interest payable	5	**(0.3)**	(0.3)
		(0.3)	(0.3)
Net discount on provisions	5	**(0.2)**	(0.2)
IAS 19 finance costs	5	**(0.7)**	(1.4)
Net finance costs		**(1.2)**	(1.9)
Profit on ordinary activities before tax		**10.5**	6.1
Taxation on operating activities	6	**(3.4)**	(2.1)
Impact of change in tax rate on deferred tax	6	**(0.6)**	(0.5)
Taxation charge		**(4.0)**	(2.6)
Profit for the year		**6.5**	3.5
Weighted average number of shares	7	**145.3**	144.8
Basic earnings per share (p)	7	**4.5**	2.4
Diluted earnings per share (p)	7	**4.3**	2.3

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2012

All on continuing operations	**Year ended 31 March 2012 £m**	Year ended 31 March 2011 £m
Profit for the year	**6.5**	3.5
Exchange differences on translating foreign operations	**(1.2)**	(0.9)
Actuarial (loss)/gains	**(10.9)**	1.2
Deferred tax on actuarial loss/(gains)	**3.2**	(0.3)
Effect of reduction in UK corporation tax on deferred tax	**(0.6)**	(0.7)
Deferred tax on foreign exchange	**–**	0.1
Other comprehensive (expense)/income for the year	**(9.5)**	0.4
Total comprehensive (expense)/income for the year	**(3.0)**	2.9

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

Consolidated Balance Sheet
As at 31 March 2012

	note	**31 March 2012 £m**	31 March 2011 £m
Assets			
Non-current assets			
Goodwill	8	**25.1**	12.1
Intangible assets		**6.6**	–
Property, plant and equipment	9	**40.4**	37.6
Deferred tax asset	6	**28.3**	27.6
Other receivables	12	**19.6**	19.1
		120.0	96.4
Current assets			
Assets held for resale		**0.6**	0.6
Inventory	11	**20.8**	21.6
Trade and other receivables	12	**36.9**	34.9
Current tax asset		**0.1**	0.3
Restricted cash	10	**–**	6.3
Cash and cash equivalents	13	**16.9**	14.7
		75.3	78.4
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	15	**(0.4)**	(1.7)
– Derivative financial instruments		**–**	(0.1)
Trade and other payables	14	**(34.0)**	(32.0)
Deferred consideration		**(6.3)**	–
Current tax liabilities	6	**(1.3)**	(0.6)
Provisions	16	**(2.0)**	(3.0)
		(44.0)	(37.4)
Net current assets		**31.3**	41.0
Non-current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	15	**(9.5)**	(0.5)
Trade and other payables	14	**(0.7)**	(1.2)
Deferred consideration	6	**(2.9)**	–
Deferred tax liabilities	6	**(4.8)**	(4.6)
Non-current tax liabilities		**(1.5)**	(1.3)
Retirement benefit obligations		**(38.9)**	(35.0)
Provisions	16	**(26.9)**	(26.2)
		(85.2)	(68.8)
Net assets		**66.1**	68.6
Shareholders' equity			
Ordinary shares		**7.3**	7.3
Share premium		**0.2**	0.1
Retained earnings		**41.0**	42.4
Translation reserve		**17.6**	18.8
Total shareholders' equity		**66.1**	68.6

Consolidated Statement of Changes in Equity
For the year ended 31 March 2012

	Share premium £m	Share capital £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2010	–	7.2	19.6	38.5	65.3
Issue of share capital	0.1	0.1	–	–	0.2
Employee share option scheme – value of employee services	–	–	–	0.2	0.2
Currency translation differences	–	–	(0.9)	–	(0.9)
Actuarial gain on pension schemes	–	–	–	1.2	1.2
Deferred tax on actuarial gain	–	–	–	(0.3)	(0.3)
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	–	–	(0.8)	0.2	(0.6)
Profit for the period	–	–	–	3.5	3.5
Total comprehensive income	–	–	(0.8)	3.7	2.9
Balance at 31 March 2011	0.1	7.3	18.8	42.4	68.6
Issue of share capital	0.1	–	–	–	0.1
Employee share option scheme – value of employee services	–	–	–	0.4	0.4
Currency translation differences	–	–	(1.2)	–	(1.2)
Actuarial loss on pension schemes	–	–	–	(10.9)	(10.9)
Deferred tax on actuarial gain	–	–	–	3.2	3.2
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.6)	(0.6)
Net expense recognised directly in equity	–	–	(1.2)	(8.3)	(9.5)
Profit for the period	–	–	–	6.5	6.5
Total comprehensive expense	–	–	(1.2)	(1.8)	(3.0)
Balance at 31 March 2012	**0.2**	**7.3**	**17.6**	**41.0**	**66.1**

Consolidated Cash Flow Statement

For the year ended 31 March 2012

All on continuing operations	note	**Year ended 31 March 2012 £m**	Year ended 31 March 2011 £m
Cash flows from operating activities			
Net cash flow from operations	17	**9.9**	9.1
Cash generated from operations before exceptional items	17	**10.7**	10.8
Cash outflows from exceptional items		**(0.8)**	(1.7)
Net cash flow from operations	17	**9.9**	9.1
Net interest paid		**(0.2)**	(0.2)
Income tax paid		**(0.9)**	–
Net cash generated from operating activities		**8.8**	8.9
Cash flows (used in)/from investing activities			
Acquisition of subsidiary		**(18.0)**	–
Purchase of property, plant and equipment		**(2.6)**	(1.6)
Proceeds from sale of property, plant and equipment		**0.2**	0.3
Net cash used in investing activities		**(20.4)**	(1.3)
Cash flows from/(used in) financing activities			
Issue of shares		**0.1**	0.1
Other non-current investment movement		**6.3**	–
Increase in borrowings		**15.4**	–
Repayment of borrowings		**(6.5)**	(2.2)
Net cash from financing activities		**15.3**	(2.1)
Net increase in cash and cash equivalents		**3.7**	5.5
Cash and cash equivalents at beginning of the year		**13.2**	7.8
Exchange losses on cash and cash equivalents		**(0.2)**	(0.1)
Cash and cash equivalents at end of the year		**16.7**	13.2

Notes on the Accounts

1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 March 2012. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in June 2012.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 31 March 2012. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The annual financial statements of Scapa Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
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2. Segmental reporting

Business unit segments

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 page.

Segment results

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

There are no single customers with greater than 10% share of revenue in any segment.

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

	Industrial £m	Healthcare £m	Electronics £m	Head Office £m	Group £m
External revenue	145.6	33.8	12.9	–	192.3
Trading profit/(loss)	4.3	4.3	0.4	(1.0)	8.0
Operating profit/(loss)	4.3	4.3	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**

	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
Trading profit/(loss)	3.3	5.3	0.4	–	(1.0)	8.0
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**

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	94.7	66.9	30.7	192.3

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:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	106.7	72.7	12.9	–	192.3
Foreign exchange	1.8	(1.5)	0.1	–	0.4
Underlying external revenue	108.5	71.2	13.0	–	192.7
Trading profit/(loss)	3.3	5.3	0.4	(1.0)	8.0
Foreign exchange	0.2	(0.2)	–	–	–
Underlying trading profit/(loss)	3.5	5.1	0.4	(1.0)	8.0

3. Segment assets and liabilities

The chief operating decision maker does not review assets and liabilities by business unit but by geographical area. The assets and liabilities at 31 March 2012 and capital expenditure for the year then ended can be analysed into geographical segments as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Inventory	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

The assets and liabilities at 31 March 2011 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Inventory	12.5	7.2	1.9	–	21.6
Trade receivables	20.9	8.4	1.7	–	31.0
Trade payables	(16.4)	(3.9)	(0.9)	(1.1)	(22.3)
Cash	5.0	2.7	1.8	5.2	14.7
Additions of property, plant and equipment	0.8	0.5	0.8	–	2.1

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

4. Exceptional items

	2012 £m	2011 £m
Operating expenses:		
WEBTEC acquisition costs	**(0.7)**	–
		–
Operating income:		
US pension closure curtailment	**1.1**	–
UK pension past service credit	**1.0**	–
	1.4	–

During the year there were three items of a material and non-recurring nature that give a better indication of trading profitability when treated as exceptional.

In December 2011 the Group acquired the assets and trade of WEBTEC Converting LLC (WEBTEC) for an initial consideration of US$28.8m. The costs of the acquisition, which included mainly due diligence and legal costs, amounted to £0.7m (2011: £Nil).

As disclosed in the interim accounts, the Group closed its US final salary pension scheme during the six months to September 2011. The closure crystallised a curtailment gain of £1.1m (2011: £Nil). The movement from the interim relates to foreign exchange and the finalisation of the curtailment calculation.

During the second half of 2011/12, the Group concluded a second pensions project which had a material impact on operating profit. A pensions increase exchange offer was made to members and £1.0m (2011: £Nil) was recognised in operating profit relating to pensioners taking up the offer. In addition to this pensioner uptake, the Company also made provision for pension increase exchange offers to be made to all deferred members at the point of retirement. The future benefit from this offer, £0.8m (2011: £Nil), has been recognised through reserves.

In the year ended 31 March 2011 there were no items of a material and non-recurring nature.

5. Net finance costs

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	**0.3**	0.3
Expected return on pension scheme assets less interest on scheme liabilities	**0.7**	1.4
Discount on assets	**(0.6)**	(0.6)
Discount on provisions	**0.8**	0.8
Net finance costs	**1.2**	1.9

6. Taxation

Income tax charge

	2012 £m	2011 £m
Current tax:		
Tax on ordinary activities – current year	**(2.2)**	(0.6)
Tax on ordinary activities – prior year	**0.2**	(0.4)
	(2.0)	(1.0)
Deferred tax:		
Tax on ordinary activities – current year	**(1.5)**	(1.5)
Tax on ordinary activities – prior year	**0.1**	0.4
Effect of reduction in UK corporation tax rate to 24% (2011: 26%)	**(0.6)**	(0.5)
	(2.0)	(1.6)
Tax charge for the year	**(4.0)**	(2.6)

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

	2012 £m	2011 £m
Profit on ordinary activities before tax	**10.5**	6.1
Theoretical tax charge at 26% (2011: 28%)	**(2.7)**	(1.7)
Effect of reduction in UK corporation tax rate to 24% (2011: 26%)	**(0.6)**	(0.5)
Income not taxable and other deductions	**0.8**	0.5
Items not deductible for tax purposes and other taxable items	**(0.7)**	(0.3)
Effect of overseas tax rates being higher than UK tax rate	**(1.1)**	(0.6)
Adjustments in respect of prior years	**0.3**	–
Actual tax charge for the year	**(4.0)**	(2.6)

Deferred income tax

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

	2012 £m	2011 £m
Deferred tax assets:		
– losses	**9.9**	10.7
– accelerated tax depreciation	**0.7**	0.1
– litigation and other provisions	**6.5**	6.1
– tax effect of intangibles	**0.2**	0.1
– retirement benefit liabilities	**9.8**	9.4
	27.1	26.4
Deferred tax liabilities:		
– other short-term timing differences	**(0.4)**	(0.5)
– provision for potential tax liability	**(3.2)**	(2.9)
	(3.6)	(3.4)

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:

	2012 £m	2011 £m
Deferred tax assets as above:	**27.1**	26.4
– other timing differences on assets moved to liabilities	**(0.1)**	(0.1)
– accelerated tax depreciation liabilities/assets in different countries	**1.3**	1.3
Deferred tax asset on the Balance Sheet	**28.3**	27.6
Deferred tax liabilities as above:	**(3.6)**	(3.4)
– other timing differences on liabilities moved to assets	**0.1**	0.1
– accelerated tax depreciation liabilities/assets in different countries	**(1.3)**	(1.3)
Deferred tax liability on the Balance Sheet	**(4.8)**	(4.6)

Tax losses amounting to £0.7m (2011: £1.3m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction.

Included within the recognised deferred tax asset on losses of £9.9m above is £2.8m in relation to Scapa Group plc and £0.4m in relation to Asia entities, both of which made a loss in the current year. The gross non-trading tax losses carried forward for future utilisation against taxable profits in Scapa Group plc is £11.6m and in Asia entities is £1.8m. Based on current forecasts management have a reasonable expectation that these assets will be utilised despite the losses made.

Movement in deferred tax	**2012 £m**	2011 £m
Beginning of the year	**23.0**	25.9
Income Statement charge	**(1.4)**	(1.1)
Effect of reduction in UK corporation tax rate to 24% (2011: 26%)	**(0.6)**	(0.5)
Exchange differences on translating foreign operations	**(0.1)**	(0.4)
Deferred tax on actuarial gains/losses	**3.2**	(0.3)
Other comprehensive income effect of reduction in UK corporation tax rate to 24% (2011: 26%)	**(0.6)**	(0.7)
Deferred tax on foreign exchange	**–**	0.1
End of year	**23.5**	23.0

Movement in unrecognised deferred tax	**2012 £m**	2011 £m
Beginning of the year	**1.3**	2.4
Prior year adjustments	**(0.3)**	(0.2)
Current year movement	**(0.3)**	(1.0)
Exchange differences on translating foreign operations	**–**	0.1
End of year	**0.7**	1.3

In addition to the change in rate of corporation tax disclosed above within the note on taxation, a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the Balance Sheet date and therefore are not included in these financial statements.

The effect of the changes expected to be enacted in the Finance Act 2012 would be to reduce the deferred tax asset provided at the Balance Sheet date by £0.6m. This £0.6m decrease in the deferred tax asset would decrease profit by £0.3m. This is due to the reduction in the corporation tax rate from 24% to 23% with effect from 1 April 2013.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 23% to 22%, if these applied to the deferred tax balance at the Balance Sheet date, would be to reduce the deferred tax asset by £0.6m (being £0.6m recognised in 2014).

7. 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.

	2012	2011
Profit attributable to equity holders of the Company (£m)	**6.5**	3.5
Weighted average number of ordinary shares in issue (m)	**145.3**	144.8
Basic earnings per share (p)	**4.5**	2.4
Weighted average number of shares in issue, including potentially dilutive shares (m)	**150.5**	148.6
Diluted earnings per share (p)	**4.3**	2.3

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 (150,517,112). Diluted earnings per share has been calculated on share options in existence at 31 March 2012.

8. Goodwill

	2012 **£m**	2011 £m
Cost		
1 April	**34.2**	45.8
Exchange differences	**–**	(1.7)
Acquisition of WEBTEC	**13.0**	–
Disposals	**–**	(9.9)
31 March	**47.2**	34.2
Accumulated amortisation and impairment		
1 April	**(22.1)**	(33.1)
Exchange differences	**–**	1.1
Disposals	**–**	9.9
31 March	**(22.1)**	(22.1)
Net book value at 31 March	**25.1**	12.1

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2012. 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 believe does not exceed the long-term average growth rate for the industry, and then kept constant for years 6-10. These cash flows are then discounted at the Group's weighted cost of capital rate of 6.2% and adjusted for specific risk factors that take into account the sensitivities of the projection (10%). Terminal values are assumed in the calculations. A reduction in the growth rate in years 1-5 to 0% would not affect the conclusion of the review. An increase in the specific risk factor to 40% would not affect the conclusion of the review.

The Group's weighted average cost of capital has reduced from 11.2% in the prior year to 6.2% for the year ending 31 March 2012. This reduction reflects the reduced cost of equity and the weighted average cost of debt which has fallen substantially by entering the new committed facility during the year. The cost of equity has fallen as a result of falling risk free rates in the market and a reduction in a Scapa specific risk premium following consecutive years of profits and share price growth.

Goodwill relates to the Acutek Medical operation (North America) £12.1m (2011: £12.1m) and WEBTEC medical operation (North America) £13.0m (2011: £Nil).

9. 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 2010	20.3	7.9	88.3	5.2	19.7	0.4	141.8
Exchange differences	0.4	–	0.7	0.1	(0.1)	–	1.1
Additions	–	–	0.9	0.2	0.2	0.8	2.1
Disposals	(0.1)	–	(5.8)	(0.1)	(1.2)	–	(7.2)
Transfers	–	–	0.4	–	0.1	(0.5)	–
Transfer to asset held for sale	(1.1)	–	–	–	–	–	(1.1)
31 March and 1 April 2011	19.5	7.9	84.5	5.4	18.7	0.7	136.7
Exchange differences	(0.3)	–	(0.8)	(0.1)	(0.1)	–	(1.3)
Additions	–	–	1.6	0.1	0.3	1.1	3.1
Acquisition of subsidiary	–	0.4	4.3	0.1	–	–	4.8
Disposals	–	–	(1.8)	(0.3)	(0.8)	–	(2.9)
Transfers	–	–	1.2	–	–	(1.2)	–
31 March 2012	19.2	8.3	89.0	5.2	18.1	0.6	140.4
Accumulated depreciation							
1 April 2010	(9.3)	(4.0)	(66.3)	(4.6)	(16.0)	–	(100.2)
Exchange differences	(0.2)	–	(0.7)	(0.1)	–	–	(1.0)
Depreciation	(0.6)	(0.2)	(3.1)	(0.1)	(0.9)	–	(4.9)
Disposals	–	–	5.1	0.2	1.2	–	6.5
Transfer to asset held for sale	0.5	–	–	–	–	–	0.5
31 March and 1 April 2011	(9.6)	(4.2)	(65.0)	(4.6)	(15.7)	–	(99.1)
Exchange differences	0.1	–	0.6	0.1	0.1	–	0.9
Depreciation	(0.3)	(0.2)	(3.0)	(0.2)	(0.9)	–	(4.6)
Disposals	–	–	1.7	0.3	0.8	–	2.8
31 March 2012	(9.8)	(4.4)	(65.7)	(4.4)	(15.7)	–	(100.0)
Carrying amount							
31 March 2012	**9.4**	**3.9**	**23.3**	**0.8**	**2.4**	**0.6**	**40.4**
31 March 2011	9.9	3.7	19.5	0.8	3.0	0.7	37.6

The Group has not revalued any item of property, plant and equipment. During the year there were no events or changes in circumstances that would indicate the carrying value of tangible fixed assets may not be recoverable.

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

	2012 **£m**	2011 £m
Cost	**1.4**	1.4
Accumulated depreciation	**(0.3)**	(0.2)
Net book amount	**1.1**	1.2

During the year ending March 2012 there were no events or changes in circumstance that would indicate the carrying value of tangible fixed assets may not be recoverable.

10. Restricted cash

Under the terms of the agreement for the sale of the Papermaking Products and Services business dated 1 July 1999, Scapa Dryer Fabrics Inc. (SDFI), which is party to the asbestos litigation, made certain undertakings to the purchaser, J M Voith AG, regarding the disposition of US$40.0m of the total sale proceeds (of which approximately US$10.0m was in respect of SDFI business and net assets sold). This required that this sum be retained as cash on deposit from the date of the agreement, effectively as security against the cost of any successful asbestos claims made against the purchaser as successor to the business. In 2003 and 2006 amounts were repaid to the Group companies who had loaned the funds for the deposit totalling US$20.0m and US$10.0m respectively. The remaining balance of US$10.0m became unrestricted on 1 January 2012.

11. Inventory

	2012 **£m**	2011 £m
Raw materials	**7.9**	7.8
Work in progress	**5.1**	6.0
Finished goods	**7.8**	7.8
	20.8	21.6

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £96.9m (2011: £93.8m). There is no material difference between the Balance Sheet value and the fair value less costs to sell.

12. Trade and other receivables

	2012 **£m**	2011 £m
Amounts due within one year:		
Trade receivables	**34.0**	31.6
Less: provisions for impairment	**(0.7)**	(0.6)
Trade receivables – net	**33.3**	31.0
Other debtors	**2.2**	2.6
Prepayments and accrued income	**1.4**	1.3
Total amounts due within one year	**36.9**	34.9
Amounts due after more than one year:		
Other debtors	**19.6**	19.1
Total amounts due after more than one year	**19.6**	19.1

Included in other debtors is an amount of £20.5m (2011: £19.9m), of which £19.4m (2011: £18.8m) is due after more than one year. This has been discounted at a risk free rate of 3.35% due to the long-term nature of the receivable (insurance receivable for asbestos claims). All other receivables above are stated at fair value. In addition £0.2m (2011: £0.3m) of other debtors is due after more than one year; this is not discounted since the impact is immaterial.

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

	2012	2011
	£m	£m
Pounds Sterling	**4.0**	4.0
US Dollars	**13.0**	28.7
Euros	**15.7**	17.4
Other	**4.2**	3.9
	36.9	54.0

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

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

	2012	2011
	£m	£m
Opening provision at 1 April	**0.6**	0.5
Charge for the year	**0.2**	0.4
Receivables written off in the year	**(0.1)**	(0.3)
Closing provision at 31 March	**0.7**	0.6

All amounts provided for in the impairment provision are greater than three months old. At the year end, the following trade receivables balances were overdue. All of the below are stated net of any impairment provisions and relate to a number of customers for whom there is no recent history of default:

	2012	2011
	£m	£m
Less than one month	**1.9**	1.8
Between 1-3 months	**0.2**	0.4
Greater than 3 months	**–**	–
	2.1	2.2

Overdue analysis includes impact of foreign exchange movements. Historically customer default is low. The 'credit quality' of the year end receivables balance is considered high. As such all the above amounts are considered recoverable.

13. Cash and cash equivalents

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

	2012	2011
	£m	£m
Cash and cash equivalents	**16.9**	14.7
Bank overdrafts – note 22	**(0.2)**	(1.5)
	16.7	13.2

14. Trade and other payables

	2012 £m	2011 £m
Amounts due within one year:		
Trade payables	**23.1**	22.3
Other taxes and social security	**4.3**	3.9
Other creditors	**6.6**	5.8
	34.0	32.0
Amounts due after more than one year:		
Other creditors	**0.7**	1.2
	0.7	1.2

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

	2012 £m	2011 £m
Pounds Sterling	**8.2**	7.0
US Dollars	**7.7**	5.5
Euros	**14.3**	16.3
Other	**3.8**	4.4
	34.0	33.2

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days (2011: 74 days), stated using the non-labour element of cost of goods sold. The Group has financial risk management policies in place to ensure all payables are paid within the pre-agreed credit terms.

15. Borrowings

	2012 £m	2011 £m
Amounts due within one year:		
Bank overdrafts	**0.2**	1.5
Finance lease creditor	**0.2**	0.2
	0.4	1.7
Amounts due after more than one year:		
Bank loan	**9.2**	–
Finance lease creditor	**0.3**	0.5
Total borrowings	**9.9**	2.2

During the year the Group entered into a £20.0m multi-currency facility. The principal features of this facility are:-

– the Group may borrow up to £20.0m subject to satisfaction of the requirements of the facility
– it is unsecured
– it is repayable in June 2015
– the margin on the loan is based on a sliding scale determined by the Group's leverage; it is currently 1.75% above US Libor
– the Group has in place a cross guarantee between the Parent Company and its main trading subsidiaries in respect of the facility obligations

To allow for the acquisition of WEBTEC, £9.4m (US$15.0m) was drawn down in US Dollars and remains drawn at the Balance Sheet date. The bank loan shown above is stated net of unamortised debt arrangement costs. The Dollar interest rate exposure is mitigated via swap contracts entered into in January 2012. The translational exposure on the Dollar borrowings is substantially mitigated by the Dollar assets acquired in the WEBTEC transaction. During the year, the Group paid down and exited overdrafts in Korea with Worri Bank which were secured over land and buildings. The carrying value of borrowings is approximate to their fair value.

The effective interest rates at the Balance Sheet date were as follows (these include the swap interest rates):

	Sterling	Euros	US and Canadian Dollars	Other currencies
31 March 2012 - Bank loans and overdrafts	**–**	**2.8%**	**2.5%**	**–**
31 March 2011 - Bank overdrafts	–	1.3%	–	7.5%

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

	2012 £m	2011 £m
Pounds Sterling	**0.4**	0.7
Euros	**0.3**	1.3
US Dollars	**9.2**	–
Other currencies	**–**	0.2
	9.9	2.2

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 2012 no financial liabilities have been recognised in the Balance Sheet relating to the fair values of derivative financial instruments in place (2011: £0.1m).

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

	2012 £m	2011 £m
Bank loan	**10.6**	–
Overdrafts	**0.6**	9.1

16. Provisions

	Asbestos litigation claims £m	**Asbestos litigation costs £m**	**Reorganisation and leasehold commitments £m**	**Environmental £m**	**Total £m**
At 1 April 2011	19.9	5.7	3.0	0.6	29.2
Additions in the year	–	–	0.8	–	0.8
Acquisition of subsidiary	–	–	0.4	–	0.4
Utilised in the year	–	(0.4)	(1.2)	(0.2)	(1.8)
Released in the year	–	–	(0.5)	–	(0.5)
Unwinding of discount	0.6	0.2	–	–	0.8
At 31 March 2012	**20.5**	**5.5**	**2.5**	**0.4**	**28.9**
Analysis of provisions:					
Current	1.1	0.3	0.4	0.2	2.0
Non-current	19.4	5.2	2.1	0.2	26.9
At 31 March 2012	**20.5**	**5.5**	**2.5**	**0.4**	**28.9**

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

All on continuing operations	**Year ended 31 March 2012 £m**	Year ended 31 March 2011 £m
Operating profit	**11.7**	8.0
Adjustments for:		
Depreciation and amortisation	**5.0**	4.9
(Profit)/loss on disposal of fixed assets	**(0.1)**	0.3
Pensions payments in excess of charge	**(5.4)**	(3.5)
Pension curtailments and past service charges	**(2.1)**	–
Movement in fair value of financial instruments	**(0.1)**	0.1
Share options charge	**0.4**	0.1
Grant income released	**(0.3)**	(0.1)
Changes in working capital:		
– Inventories	**2.4**	(0.7)
– Trade debtors	**(0.5)**	1.6
– Trade creditors	**(0.1)**	(0.8)
Changes in trading working capital	**1.8**	0.1
Other debtors	**0.3**	0.1
Other creditors	**0.2**	1.4
Net movement in environmental provisions	**(0.2)**	(0.1)
Net movement in reorganisation provisions	**(0.9)**	(0.6)
Net movement in asbestos litigation cost provisions	**(0.4)**	(1.6)
Net movement in asbestos litigation claims provisions	**–**	–
Net movement in asbestos insurance receivable	**–**	–
Cash generated from operations	**9.9**	9.1

Cash generated from operations before exceptional items	**10.7**	10.8
Cash outflows from exceptional items	**(0.8)**	(1.7)
Cash generated from operations	**9.9**	9.1

Analysis of cash and cash equivalents and borrowings

	At 1 April 2011 £m	Cash flow £m	Exchange movement £m	**At 31 March 2012 £m**
Cash and cash equivalents	14.7	2.4	(0.2)	**16.9**
Overdrafts	(1.5)	1.3	–	**(0.2)**
	13.2	3.7	(0.2)	**16.7**
Borrowings within one year	(0.2)	–	–	**(0.2)**
Borrowings after more than one year	(0.5)	(9.0)	–	**(9.5)**
	(0.7)	(9.0)	–	**(9.7)**
Total	12.5	(5.3)	(0.2)	**7.0**

18. Acquisition of subsidiary

On 22 December 2011 the Group acquired the entire issued share capital of WEBTEC, a US based leading contract manufacturer and full-service converter, printer and packager of adhesive-backed medical devices that are distributed worldwide. The primary reason for the acquisition was to provide the Company with further commercial opportunities and broaden the Group's medical technology portfolio.

	Book value £m	Fair value £m
Identifiable net assets acquired		
Intangible assets	–	7.0
Property, plant and equipment	5.2	4.8
Inventories	2.1	1.9
Trade and other receivables	3.1	3.0
Cash and cash equivalents	–	–
Trade and other payables	(2.1)	(2.5)
	8.3	14.2
Goodwill		13.0
Total consideration		27.2

Goodwill is denominated in US Dollars in line with WEBTEC's functional currency. The goodwill is recorded at the closing dollar rate on 31 March 2012.

	£m
Satisfied by	
Cash: paid on 22 December 2011	18.0
Contingent consideration	9.2
	27.2

The fair value of the contingent consideration arrangement of £9.2m was calculated using management's best estimate of the operating profit performance, discounting where appropriate. The payout is expected over the next two years but exact timing is dependent upon the profits of the WEBTEC business.

	£m
Net cash flow arising on acquisition	
Cash consideration	18.0
Cash acquired	–
	18.0

The goodwill arising on the acquisition of WEBTEC of £13.0m consists of the skills and technical capabilities of the employees who joined the Group and synergies that are expected to be achieved as a result of the transaction and the competitive advantage gained. Goodwill is deductible for income tax purposes.

The fair value of inventory has been reduced to provide for certain slow-moving products. Payables at fair value include a £0.4m provision for dilapidations on the three leased buildings. Trade receivables have been written down by £0.1m to their carrying value. The total costs for the transaction amounted to £0.7m, included in exceptional costs for the year.

WEBTEC contributed £5.4m revenue and £0.5m to the Group's profit before tax for the period between the date of acquisition and the Balance Sheet date. If the acquisition of WEBTEC had been completed on the first day of the financial year, Group revenues for the period would have been £211.8m and Group profit before tax would have been £12.0m. These figures have been estimated based on an extrapolation of results achieved in the period since acquisition.