28 May 2014

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 2014.

Financial Highlights

- Revenue grew 8.3% to £226.1m (2013: £208.8m)
- Operating profit increased 14.5% to £13.4m (2013: £11.7m)
- Trading profit* increased 13.1% to £15.5m (2013: £13.7m)
- Trading profit* margins continued to improve to 6.9% (2013: 6.6%)
- Profit before tax improved 16.7% to £11.2m (2013: £9.6m)
- Underlying earnings per share** increased 30.9% to 7.2p (2013: 5.5p)
- Final dividend increased 100% to 1.0p (2013: 0.5p)
- Strong Balance Sheet to support future strategic investments. Net cash of £5.4m and increased banking facilities – committed £40m extending to 2018

Operational Highlights

- Growth across all geographies and market segments
- Increasingly strong and strategic engagement with growing customer base
- Strong performance by Healthcare, with revenues up 20.6% and trading profit up 21.4%; launch of 24/7 operation in Knoxville
- Industrial margins increased to 5.4% (2013: 5.1%)
- Continued self-help initiatives during the year, including:
  - Centralised organisational structure and support services in Europe
  - Disposed of unutilised property for net profit of £0.8m
  - Merged UK pension schemes, significantly reducing cash outflow

Commenting on the results Chief Executive, Heejae Chae said:

"The Group has delivered another record performance and grown both in revenue and profit across all markets.

Healthcare continues to deliver on its strategy by climbing the value chain and forming stronger outsourcing partnerships with both existing and new customers and we are well positioned to take advantage of the current outsourcing trend in this sector. Industrial is successfully improving its performance by focusing on areas where we have critical mass and a leverageable position.

We are very pleased with our results, confident in our strategy and expect to make further progress in the year ahead."

* Before amortisation of intangible assets, exceptional items, and legacy pension costs and finance charges
** Underlying earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year.

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Chairman's Statement

In recent years we have seen the steady transformation of Scapa into a company capable of generating sustainable growth, supported by a clear strategic direction and business model.

This year has seen the Group achieve growth across all our markets with the quality of the performance improving as the Group continues to diversify its portfolio, both from a market and geographical perspective, underpinning the foundations for the future.

Healthcare has made a significant contribution to the growth of Scapa over the last few years as we consolidate strategic partnerships with our customers and develop and launch new products and programmes to support their growth. We have created a business that now accounts for over 30% of Group revenue and has delivered growth of over 20% this financial year.

The investments in operational capability, research and development, and customer facing management have created a business with higher quality revenue streams, better visibility of revenue and an organisation structure that is focused on performance and delivery.

The Industrial business continues to evolve with improving clarity and focus as we make progress in our chosen markets. While the Industrial business in North America continued to grow ahead of the macro economic climate, the European business remained flat. As a whole the Industrial business delivered moderate growth in revenue and improved its margin as the quality of the business further developed. We have clear direction with well defined markets to which we are allocating our resources to leverage our capabilities.

Our strategic direction and objective is to further develop relationships with our customers, creating partnerships by anticipating their needs and providing solutions with a view to obtaining a greater share of their overall spend.

Electronics is a market that remains attractive. We need further critical mass to access the wider opportunities and earlier in the year were unable to conclude the acquisition we sought under terms that we felt were acceptable. This year has seen a number of organisational developments that have helped to further reshape the Group. Of particular note we reorganised our resources, centralising back office functions in Europe to improve operational effectiveness and value. We merged the three UK legacy pension schemes, significantly reducing administration costs. We successfully renegotiated and increased our banking facilities as well as giving additional attention to tax planning to ensure we pay the appropriate amount of tax and hold the correct tax provisions.

This year's financial results partially reflect the steps being taken to deliver sustainable financial performance. Where material, the costs associated with these one-off initiatives have been shown separately as exceptional and are described in detail later in this report. Revenue for the Group increased 8.3% to £226.1m (2013: £208.8m) with trading profit, excluding one-off charges, improving 13.1% to £15.5m (2013: £13.7m), delivering a strong improvement on last year's record results. Underlying earnings per share increased 30.9% to 7.2p (2013: 5.5p) and basic loss per share was 4.6p (2013: 0.8p earnings), impacted by the write-off of deferred taxation. Strong cash flow and strong working capital management ensured that we ended the year with net cash of £5.4m (2013: £2.2m).

Following another year of improved performance the Board has decided to recommend an increase in the final dividend to 1.0p (2013: 0.5p). Subject to approval of shareholders at the forthcoming Annual General Meeting the dividend will be paid on 22 August 2014 to shareholders on the register on 25 July 2014.

Our people are a key element of our formula for success and we continue to train and upgrade to meet our future plans; I would like to thank them for their continued dedication. Good corporate governance is central to the effective management of the business and maintaining the confidence of our shareholders. The corporate governance section in our annual report will show details of our compliance with the UK Corporate Governance Code.

The Company is exploring plans to move its listing to the Premium Listing of the London Stock Exchange.

We expect to make further progress in the year ahead and have positioned the Group to grow organically and by suitable acquisitions.

J A S Wallace
Chairman

Chief Executive's Strategic Review

Overview

The Group delivered another strong performance in revenue and profit with growth and improved margin across all of our end markets. Healthcare continues to go from strength to strength growing 20.6%; our strategy to build partnerships with customers by offering solutions, rather than just products alone, aligns with the current trends in the Healthcare market to focus on core competence and outsource elements of the supply chain. Growth was driven by expanding our footprint with existing customers and acquisitions of new customer partnerships.

We believe that the same strategy and approach can be applied to segments of our Industrial business. The strategic engagement and focus on solution selling are yielding improvements, particularly in Automotive and Cable where the pipeline of new opportunities continues to grow.

During the past four years, we have built a solid financial foundation based on cash generation and profit improvement. This benefits from a self-help agenda which continues to contribute to every decision within the Group as we see further opportunities to improve our margin.

Our performance in 2013/14

Group revenue increased 8.3% to £226.1m. Healthcare returned a strong performance growing revenue by 20.6%. We continue to improve engagement with our customers and have reaped the rewards this year. We have invested for growth moving to 24/7 production at a key site following new product launches and increased demand for our customers' products. As we engage with our customers they are gaining more confidence in us as the supplier of choice and we are partnering with them in the development of new products and process improvements while building a pipeline of opportunities for future delivery.

Industrial revenue improved 3.6% to £145.7m. While the growth is modest we are developing a clearer definition of our Industrial business and those markets where we hold a competitive position and where we see further opportunities for future expansion. We are improving customer engagement and intimacy specifically within the OEM sectors of Automotive, where we have seen double digit growth and Cable, where the pipeline continues to grow. Electronics revenue increased 4.7% to £11.2m as we continue to pursue the opportunities in this market.

Group trading profit increased 13.1% to £15.5m and margins also continued to improve to 6.9%. In addition to the benefit of operating leverage, we have continued to realise gains from our self-help strategy. Our value chain initiatives of spend optimisation through transparency, with consolidation of our spend by leveraging the global footprint of our business, have continued to deliver margin enhancement. Cash generation was in line with expectations and we ended the year net cash positive at £5.4m.

Delivering against our goals and priorities

At the start of the last financial year we identified a series of key goals and priorities for the year:-

- **Further diversify our business to sustain performance by creating a balanced portfolio.** We have continued to diversify our business away from a predominantly European based Industrial business to one which is better balanced where Healthcare and North America form a more significant part.
- **Strategically grow profitable revenue by developing new accounts while further penetrating our existing base.** Our growth this year has been delivered by both improving access to our customer spend and gaining new accounts as we expand into other territories.
- **Make further earnings-enhancing acquisitions.** During the year we engaged in negotiations to acquire Tapex, an electronics business based in South Korea. Ultimately the negotiations were unsuccessful as we were unable to agree acceptable terms with the seller. While the decision to step away from this acquisition was the right one, acquisitions remain a part of our growth plan and our strategy remains intact.
- **Continue to improve our margins by maintaining the process of self-help and good cost control.** This year has seen a number of self-help initiatives generate savings, improve our cash and strengthen our Balance Sheet. We have seen our global supply chain initiatives deliver spend optimisation and we have centralised back office functions in Europe, continued to rationalise our property portfolio and merged our pension schemes.
- **Further improve the Balance Sheet for a secure sustained future.** We ended the year with net cash on the Balance Sheet of £5.4m and access to up to £40m of secured banking facilities, with an uncommitted 'accordion' facility adding a further £20m. We have completed our pension project, significantly reducing cash outflow this year and into the future, and we have leveraged our asset base and reduced working capital as a percentage of revenue, ensuring we grow efficiently.

2014 strategic goals and priorities
Healthcare: Continue to move up the value chain by expanding our offerings and capabilities. Further leverage our customer partnerships to increase their supply chain spend with Scapa and develop new customer partnerships to further build the pipeline.

- Industrial:
  - Automotive and Cable: Focus on developing strategic partnerships where we have critical mass and leverageable positions, accelerating the shift from product to solution selling.
  - Retail and Distribution: Leverage our brands and market position to expand market share through expansion of both point of sales and product range. Continue to lower the cost to serve by leveraging technology and further focussing sales strategy.

- Acquisitions remain part of the Group's strategy and will help support growth through adding capabilities, product offerings and services as well as geographies or channels to the current portfolio. Through organic and acquisitive growth we will look to meet changing customers' requirements, providing a one stop solution for our customers; this will help us to integrate further into our customers' supply chain and to develop deeper relationships and long-term customer partnerships.

- Continue to improve our margins by maintaining the process of self-help and good cost control.

- Culture: Instil a principled entrepreneurial culture to align 1,200+ people across 12 countries to achieve common objectives. Develop a culture that promotes autonomous, entrepreneurial behaviour by following clearly defined principles.

Outlook
Over the past year we have continued to strengthen our business by successfully delivering against our strategic goals and priorities, which have driven organic growth and improved business performance and shareholder value. While we are currently early in the new financial year, we expect the momentum to continue and the Group remains well positioned to make further progress.

BUSINESS REVIEW - HEALTHCARE

Market trends
There have been positive market trends in all segments in which Scapa Healthcare participates: Advanced Wound Care, Medical Devices, Consumer Wellness and Transdermal/Drug Delivery. We expect that these trends will continue to be positive, given increased access to healthcare in North America, Europe and a number of other geographic markets. Promising new markets are also opening for our Skin Friendly Turn-Key solutions value proposition, including mobile health where there is strong growth in wearable devices.

The outsourcing trend in the healthcare industry continues to help drive our growth as more Healthcare market leaders are looking to form partnerships with manufacturing expertise. Driven by healthcare reform and the need to maintain margins, this is especially true in higher value products where limited production can be obtained through partnerships with suppliers, materially reducing the need for investment in infrastructure. Scapa has benefitted from this trend through significant multi-year contracts with a number of global market leaders.

Consolidation within the market segments in which Scapa operates has both expanded the markets for end products that Scapa produces and opened partnerships with new market leaders. This consolidation has also opened markets for smaller and new entrants with innovative technologies and the potential for rapid growth. Scapa has been able to start development projects with several of these emerging companies as they do not have the infrastructure and therefore require the specialised materials and manufacturing services provided within Scapa's Skin Friendly Turn-Key solution supply chain.

Overview
Scapa has continued to promote the Skin Friendly Turn-Key value proposition and is gaining market recognition for its full solution capabilities. It was recently recognised by an industry trade journal as one of the seven companies to know for medical device outsource manufacturing services. The Group has strengthened its global sales and distribution channel by investing in key geographic regions in North America and Europe. This focus has enabled Scapa to fill its sales funnel and close Turn-Key opportunities. Aiding this effort is the implementation of a Go-to-Market Plan for the Consumer Wellness market, specifically addressing the needs of consumer healthcare companies and their customer base.

During the year Scapa launched several key new products in its Scapa Soft-Pro® Silicone Gel adhesive platform and introduced a new Skin Friendly Scapa Soft-Pro® Polyurethane Gel adhesive that is both breathable and gamma

sterilised while providing low trauma for sensitive skin. Scapa is believed to be the only provider of Polyurethane Gel adhesive technology to the healthcare market.

Capacity improvement projects were completed in the Knoxville facility to accommodate current projects and plan for future growth. Other operational activities include cost reduction initiatives and inventory management to reduce the level of inventories. A separate Healthcare Quality Assurance department was formed to ensure that Scapa is able to meet the growing demands for quality and design control from its customers and meet FDA and other regulatory guidelines.

Strategy
In FY14 Scapa Healthcare continued its focus on Skin Friendly Turn-Key solutions, expanding its product portfolio, sales channel, manufacturing capacity and quality systems. A predominant strategy for Scapa Healthcare is a B2B partnership. Along with our full Turn-Key capabilities this has enabled Scapa to build long-term trusted relationships with our key customers which have resulted in the signing of major long-term contracts. Our vertical integration and Turn-Key capabilities allow us to partner with our customers starting at the design phase and through the whole supply chain to logistics and distribution. These solutions have broadened our service platform and strengthened the supply chain management, reducing the risk of product development for our customers. Our global footprint provides our customers with dual source capabilities from a single supplier as we harmonise our capabilities across our manufacturing sites.

Quality is at the forefront of everything we do; it has enabled Scapa to build trusted relationships with our customers and is the basis for our growth. During the year we invested in a separate Healthcare Quality organisation with the goal of implementing a global quality system to meet the growing demands of our customers. We continue to invest in our manufacturing infrastructure to meet healthcare standards and harmonise our systems.

Scapa Healthcare's innovation strategy is gaining traction, building a pipeline of both research and development innovations and new customer development projects that will drive growth for the coming year and beyond. Focus has been placed on strengthening our medical adhesives platforms, expanding the depth and breadth of product capabilities and applications.

We continue to focus on four large market segments that provide optimal opportunities to support our Skin Friendly value proposition. These markets are Advanced Wound Care, Medical Devices, Consumer Wellness and Transdermal/Drug Delivery. Each of these markets is showing strong growth and our focus is to partner with the industry leading companies within each segment where outsourcing is a main component of their manufacturing strategy. We will continue to monitor the gaps in our value chain and invest to support our current customers and provide a foundation for future growth. We will also continue to look into adjacent markets where it makes sense for Scapa to invest.

Performance
Healthcare had a very good year, increasing revenue by 20.6% to £69.2m (2013: £57.4m) and profit by 21.4% to £10.2m (2013: £8.4m). Return on sales increased from 14.6% to 14.7%. The investments in operational capability, research and development, and customer facing management have created a business with better visibility of revenue and an organisation structure that is focused on performance and delivery, and is making a significant contribution to the Group result and success.

Outlook
The outlook for Scapa Healthcare remains positive. A dedicated Healthcare management team is now fully in place, with additions in the previous year to Operations and Marketing, and the initiation this year of a dedicated Healthcare Quality organisation.

We are enhancing our position in the medical marketplace. The promotion of the Skin Friendly Turn-Key value proposition continues to gain market recognition, growing our existing customer base and opening new markets. Recent long-term agreements with multiple customers provide a foundation for future growth. We expect that the recent additions to the sales channel, along with growth initiatives in key geographic markets and in the Consumer Wellness market, will gain traction in the coming year. A pipeline of development projects is in place, with expected completion in the coming year, and there are positive trends in outsourcing in the market segments in which we participate.

Scapa Healthcare's innovation strategy is building a pipeline of research and development innovations. Focus has been placed on strengthening our medical adhesives platforms with product capabilities due out in late FY15. This innovation strategy has enabled Scapa Healthcare to engage with our customers earlier in the design phase of product development, underpinning long-term success. Following the recent capacity expansion in our Knoxville site and the ongoing capacity improvements in our Windsor and Dunstable facilities, we will be able to capitalise

on the growth from current and new projects. Operational efficiency plans are in place within all of our manufacturing sites as we strive to remain competitive and deliver sustainable profitable growth.

BUSINESS REVIEW – INDUSTRIAL

Market trends

The Industrial business operates across a wide range of market segments and geographies. Our focus is on Automotive, Cable, Retail and Distribution where we have critical mass and leverageable positions.

Global automotive industry production volume continues to improve, increasing 4% to a record number of units in 2013. North American production increased 5% and while Europe remains below historical levels, it increased marginally by 1% in the year. Our core products are bonding solutions used in wiring harness for electrical distribution, seat heating systems and assembly applications. The trend in car design is positive for Scapa as electronic content is increasing and seat heaters are becoming standard in cars. The focus on fuel efficiency, ease of application and performance is also driving the use of chemical bonding solutions in place of mechanical solutions.

Our cable products are primarily used in high voltage, submarine and fibre optic cables as a protective layer in the construction of the cables. The cables are used in oil and gas platforms, wind turbines, fibre optic networks and infrastructure related projects. The market has been significantly impacted negatively in recent years by the weak economic climate but we are beginning to see a steady recovery which is projected to continue.

Our retail business consists of two distinct segments: construction products sold through retail channels in Europe under the Barnier® brand and hockey tapes under the Renfrew Tape® brand in North America. The retail business is driven by consumer spending and construction activities, both of which have been at a historic low in recent years. We are seeing the levels stabilising but do not expect a significant improvement in the short term. Much of our effort has therefore been focused on gaining market share which has yielded very positive results for the segment.

Overview

The Industrial business continues to evolve with a new clarity and focus as we continue to make progress in our chosen markets. During the year, we identified as a key focus those segments where we have critical mass and leverageable position. We formed segment based organisations to address the distinct requirements of each market and, where appropriate, we created a global cross functional team to ensure proper customer engagement and service. We also recognise that the successful approach of strategic solution selling that has driven our Healthcare business can be applied to certain segments of the Industrial portfolio. Our Automotive and Cable customers are global leaders, which gives us significant opportunity to grow not only alongside them but by increasing our share of their supply chain spend. We are already seeing the benefits as we have achieved double digit growth in Automotive and increased the pipeline of opportunities in Cable. The Retail business continues to make good progress despite a very challenging environment. Our Barnier® brand grew by expanding its market share and product portfolio. While most of the growth came from channel acquisition in Germany, we also saw growth in France where we launched a new product range focused on painters and decorators. Our focus in Distribution has been to improve its margin through product portfolio management and lowering the cost to serve. To improve our customers' engagement experience and service, we expanded our telemarketing organisation and roll-out of the e-portal dedicated to our distribution partners.

Strategy

Automotive – During FY14, our focus has been to maximise relationships with our current global customers. Our products are currently specified in a wide range of major automakers. Our challenge is to ensure that we maximise our market share by positioning ourselves to capture the orders regardless of geography. Today's supply chain for Automotive is fluid and global and requires us to stay close and constantly abreast of all developments. During the year, we formed a global automotive organisation aligned with our customers' footprint to ensure we maximise our opportunities. We have also dedicated significant development resources to work on new projects and products to ensure our products are specified in the next generation platforms.

Cable – Our Cable business is focused on the high voltage, submarine and fibre optic cables which require high reliability and carry significant cost of failure. As a result, the business is concentrated among major global cable manufacturers. Our competitive landscape is equally concentrated amongst a small number of suppliers. Scapa has been a key supplier to the market as its history goes back to the turn of the 20th century. However, our market share does not reflect this heritage. We believe that our strategic solution selling through a dedicated organisation will allow us to capture an improved share of the market. While the sale cycle is relatively long due to the nature of the design and development programmes, we are currently engaged with most of the major manufacturers working on the next projects in their pipeline. During the year, we have invested in development and marketing resources to service the cable market.

Retail – The strategy for our Retail segment is to continue to increase our market share through expansion into new geographies and expanding our product range into the painter and decorator market segments. We will continue to leverage our Barnier® brand to gain market share and drive further expansion in Germany by adding additional retail channels. During the year, we added additional sales resources to increase our channel network, particularly in Germany and the UK.

Distribution – Given the diversity of markets and products that it covers, the performance of Distribution reflects the macro economic trends. As such, we are focused on maximising the profitability of the segment through product portfolio management and operational efficiency. We are focused on lowering the cost to serve by leveraging technologies and telemarketing.

Performance

The Industrial business continued to improve with revenue growth of 3.6% to £145.7m (2013: £140.7m) and trading profit growth of 9.7% to £7.9m (2013: £7.2m), improving the margin to 5.4%. The performance was driven by the continued improvement of Retail and double digit growth of Automotive, coupled with operational gearing and strong cost control. North America continued to grow well, supported by increased customer demand for our products in the automotive and distribution markets whereas Europe showed modest growth, albeit in a subdued market.

Outlook

Prospects for continued growth remain positive, supported by a customer focused strategy and markets that are showing signs of stability and improvement. Rising investment in oil and gas and energy markets is increasing activity in our Cable business, albeit the sales cycles are relatively long due to the nature of the design process and size of investment; Automotive and Retail markets remain stable and the opportunity to further penetrate these markets remains.

BUSINESS REVIEW – ELECTRONICS

Market trends and overview

Scapa's product portfolio and global footprint continue to make us an ideal partner to the Electronics industry. We have made significant progress transitioning the business from a distribution and transactional model to an OEM and knowledge based business which looks to improve business sustainability, predictability and drive profitable growth. Our customer base continues to develop as we extend our capabilities within the consumer electronics, communications and home appliance markets. The global market for consumer electronics continues to be driven by rising demand, in an already high growth market, aided by continued development and short life cycle of the products. We have positioned ourselves to take advantage of this trend as we look to partner with our customers to help solve their development and technological problems.

Strategy

We are maintaining our strategy of focusing on major OEMs building our expertise within our defined segments to improve our capabilities and knowledge. The relationship with the customer is at the heart of everything we do and we look to expand the opportunities in line with their development and growth. Our ability to respond quickly to customer needs and develop products and solutions that solve their problems, providing ongoing support and customer service, will ensure we deepen the relationship and obtain a greater share of their spend. While we will continue to concentrate on the core markets of South Korea and China we are also positioned to extend our reach to the Electronics OEMs in Taiwan and Japan ensuring we leverage the capabilities and global footprint of the Group.

Outlook

Consumer electronics remains one of the largest segments of the manufacturing industry and the growing convergence of information, communication and entertainment continues to drive development and demand for new products and underpins the future opportunities for Scapa. Nevertheless, as we continue to develop, we will evaluate further our progress against the potential that exists in the sector or elsewhere.

Finance Director's Review

Record revenue and profits

Group revenue increased by 8.3% to £226.1m (2013: £208.8m); on a constant currency basis the growth was 8.1% (2013: £209.2m). Healthcare revenue was £69.2m (2013: £57.4m), an increase of 20.6%, as the segment enjoyed strong sales growth on the back of successful customer product launches. Industrial revenue of £145.7m (2013: £140.7m) is 3.6% ahead of the prior year and Electronics experienced growth of 4.7% with revenue of £11.2m (2013: £10.7m).

Trading profit increased by 13.1% to £15.5m (2013: £13.7m) which was another record performance for the Group. Trading profit margin improved to 6.9% (2013: 6.6%). Currency translation had a minimal impact on trading profit.

Industrial contributed £7.9m (2013: £7.2m) with an improving margin of 5.4% (2013: 5.1%) and Healthcare contributed £10.2m (2013: £8.4m) improving the margin to 14.7% (2013: 14.6%). Total Group operating profit of £13.4m (2013: £11.7m) includes a net exceptional credit of £0.2m (2013: £1.1m), pension administration costs of £0.8m (2013: £1.6m) and intangible amortisation costs of £1.5m (2013: £1.5m).

Net finance costs

Net finance costs of £2.2m (2013: £2.1m) comprise net cash interest payable of £0.6m (2013: £0.7m) and notional interest of £1.6m (2013: £1.4m). The net cash interest payable related to the committed UK facility that was refinanced and increased from £20.0m up to £40.0m during the year. Half of the Group's interest cost exposure risk is mitigated through an interest rate swap entered into in January 2012. The notional interest relates mainly to the defined benefit pension plans and the unwinding of the discount on deferred payments on acquisitions.

Taxation

The Group's tax charge of £17.9m (2013: £8.4m) includes a £4.4m charge (2013: £4.9m) on trading activities, a £1.8m charge (2013: £0.3m) arising from a change in the UK corporation tax rate and exceptional tax charges of £11.7m (2013: £3.2m). Taxation on exceptional items is non cash related and includes £11.3m (2013: £Nil) relating to the de-recognition of deferred taxation where utilisation is no longer foreseeable with certainty; the basis of this exceptional write off is detailed below.

The underlying effective rate excluding exceptional items and the change in rate of UK corporation tax has decreased to 29.5% (2013: 37.7%). This underlying rate is higher than the UK standard rate of 23%, mainly due to the Group operating in territories which have a higher statutory tax rate than the UK. The headline effective rate of tax for the Group is 159.8% (2013: 87.5%).

Despite the high effective rate, the Group's cash tax payment in the year was £2.7m (2013: £2.6m), or 18.1% of underlying profit before tax, as the Group continues to benefit from historic brought forward tax losses. Given the level of current performance and the increase in profitability over the last four years, cash tax payments are expected to increase as brought forward losses are utilised.

Write off of deferred taxation

During the year, the Directors have deemed it appropriate to re-assess the basis of recognising deferred tax in the UK. Deferred tax assets are recognised to the extent that it is probable that the amount can be utilised against future taxable income and in 2009 approximately £16m of deferred tax was recognised in the UK entities. Because of the structure at that time and the industrial focus of the Group it was anticipated that these assets would be utilised over a reasonable period of time against future profits generated in the UK. However, since recognition, there has been minimal utilisation of the deferred tax balance and a number of factors have recently emerged causing the Directors to re-assess the value.

This year has seen UK interest income reduce following the restructure of a number of intercompany loans and in addition a claim for double taxation relief has seen our UK tax losses increase. Looking forward the business will continue to rebalance its market and geographical exposure as it diversifies to have less reliance on Europe and Industrial markets to one where North America and Asia and Healthcare and Electronics make up a larger component of the Group's profitability. Based on this reassessment we anticipated a longer utilisation period for the brought forward UK deferred tax assets and have therefore prudently reduced the value recognised at the Balance Sheet date.

The de-recognition reduces the deferred tax balance and shortens the period over which the recognised assets are to be utilised; the write off was £11.3m (2013: £1.4m). For the purposes of consistency, we have also reviewed the deferred tax recognition criteria throughout the worldwide group. This has resulted in an additional deferred tax write off of £0.8m (2013: £Nil).

Acquisitions
In December 2011 the Group acquired the business and assets of Webtec for an initial cash consideration of US$28.8m (£18.0m). Based on trading performance to December 2013 total additional consideration of US$11.6m has been paid with US$3.4m or £2.2m (2013: £Nil) released back to the profit and loss. The total consideration paid amounts to 92% of the potential consideration on acquisition demonstrating the successful nature of the acquisition.

Throughout the year we pursued a number of opportunities with a view to broadening our portfolio. While none were concluded, acquisitions will continue to be part of our strategy for growth.

Exceptional items
During the year the Group incurred a number of exceptional gains and costs that are separated for transparency and to provide a better understanding of the underlying performance of the Group. The net result of the gains and costs is an exceptional credit of £0.2m (2013: £1.1m).

Gains – An exceptional gain of £2.2m was released as part of the accounting for the acquisition of Webtec. The final earn out based on trading to December 2013 resulted in a release of contingent consideration and brings the total cost of acquisition to US$40.4m versus total potential of US$43.8m. As previously reported the Group disposed of one of its sites in Valence France and after costs to sell recorded a £0.8m profit on disposal. The merger of the UK pension schemes into a single new scheme resulted in a settlement gain of £0.2m, and the Group has a policy of reporting its settlement gains as exceptional.

Costs – The Group incurred exceptional costs of £1.4m relating to a Group wide reorganisation, exceptional bonus costs of £0.8m, contract start-up costs of £0.5m and abortive acquisition costs of £0.3m.

The reorganisation costs include a broad reorganisation of the Group's activities with the core elements being the centralisation of European finance and customer care functions into a single shared service centre in the UK. It is anticipated that these changes will improve the efficiency and effectiveness of the business and are part of the platform for future growth. Exceptional bonus costs relate to the one-time share price related incentive that has pay-out triggers when the share price reaches £1.00 and £1.50. The one-off bonus scheme was implemented when the share price was 14.5p. Owing to the significant improvement of the share price towards the latter part of the year a one-off cost has been incurred and has been separated out to help year-on-year comparisons and improve the understanding of the underlying performance of the business. Contract start-up costs relate to the non-recurring costs of setting up our Knoxville facility to run 24/7.

Improvement in underlying earnings per share
Underlying earnings per share was 7.2p (2013: 5.5p) and basic loss per share was 4.6p loss (2013: 0.8p earnings).

Cash flow and net debt
Despite the increase in operating profit to £13.4m (2013: £11.7m) net cash generated from operating activities was £10.3m (2013: £12.2m). The reduction was mainly owing to absorbing £4.0m (2013: £1.1m) of working capital, required to support the growth in revenue of £17.3m (8.3%).Net capital expenditure increased to £4.9m (2013: £4.2m) and the sale of land and buildings generated £4.3m (2013: £Nil). Vacating the premises and re-siting the operations will consume cash during the next 24 months. Cash outflow on tax and interest increased slightly to £3.2m (2013: £3.0m). Net cash outflow on acquisitions was £2.2m (2013: £5.1m) and relates to the final settlement on the 2011 acquisition of Webtec.

Total cash contribution to defined benefit pension schemes was £5.1m (2013: £4.6m) with £0.9m being related to overseas schemes (2013: £1.1m). Total cash contributions to the UK scheme were £4.2m (2013: £3.5m), with the first payments made under the UK asset backed funding structure that was put in place during 2012/13. In addition the UK paid £0.6m of deferred contributions from the prior year relating to the old schedule of contributions. Expenses of £0.8m (2013: £1.6m) are now reported through operating profit under IAS 19 (revised) where previously these expenses were reported as cash contributions to the UK scheme.

Dividends
The Board is recommending a 100% increase in the full year dividend with a final dividend of 1.0p (2013: 0.5p). Dividend cover (being the ratio of earnings per share before exceptional items, amortisation of intangible assets and legacy pension items) is 7.2 times. If approved at the Annual General Meeting the final dividend will be paid on 22 August 2014 to shareholders on the register on 25 July 2014.

Increase to Group facilities
The Group is financed principally by a mix of equity, retained earnings, a committed bank facility in the UK and small uncommitted facilities overseas. In January 2014 the Group re-financed its UK committed facility and entered a new agreement with a club of three of the leading UK based banks. The new £40.0m (2013: £20.0m) revolving credit facility is committed for a further four and a half years and in addition we have negotiated access to an uncommitted £20.0m 'accordion' facility should it be required.

The financial covenants related to the new committed facility are the ratio of net debt to EBITDA and interest cover to EBITDA. Net debt must be less than three times adjusted EBITDA, ratcheting down over time to two point five times adjusted EBITDA. Adjusted EBITDA must be at least four times the net interest charges. Throughout the year under review the Group comfortably complied with its loan covenants.

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.

The Group has an interest rate swap arrangement that it entered into in 2012 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; the effect in the year under review was a profit of £0.1m. 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.

Continued progression on post-retirement benefits
The Group does not have any material defined benefit schemes in operation as the majority of the post-retirement benefit schemes for qualifying employees are defined contribution. The pension deficits carried on the Group's Balance Sheet relate to schemes that have been closed to both new members and future accrual for many years, and some very small overseas arrangements that are classed as defined benefit.

The principal deficits under the closed schemes are based in the UK. Addressing the cost and volatility of the UK legacy pension deficit remains the Group's primary pension objective and in January 2014 all three of the UK pension schemes were merged into a single new scheme as part of the second stage of the asset-backed structure project implemented in 2013. The merger resulted in a number of liabilities being extinguished at below their Balance Sheet carrying value, resulting in a £0.2m (2013: £1.1m) settlement gain being recognised through the Income Statement. The merger will also have ongoing benefits to the Group as simplification will help to reduce the significant costs of administering the scheme.

During the year the fair value of the scheme assets decreased by £1.0m which was lower than the decrease in total liabilities of £2.2m, the latter being driven by an increase in corporate bond yields used to discount the liabilities. The overall deficit in the scheme is £40.0m (2013: £41.2m).

Changes to the accounting standard for employee benefits have taken effect for the year ending March 2014, with prior year comparatives being restated under IAS 19 (revised). The most significant impact for the Group of the revised standard is the release of provisions for future scheme management costs. Previously these were held within the retirement obligation on the Balance Sheet and the associated costs were not separated out in the Income Statement. At 31 March 2013 the Group's liability under IAS 19 (revised) was £41.2m versus £46.2m as previously reported under IAS 19.

Disposal of product liability claims
On 25 April 2013, the Group sold Scapa Holdings Georgia Inc and its subsidiary Scapa Waycross Inc (together 'Georgia') to an unrelated third party. Product liability claims arising from alleged exposure to asbestos and an associated insurance asset were held within Georgia. The insurance asset and asbestos liabilities along with the responsibility for managing and handling the asbestos lawsuits have transferred on the disposal of Georgia to the new owner.

The net financial impact of the transaction, and a summary of the assets and liabilities affected, are disclosed within note 15.

Shareholders' funds

Shareholders' funds have decreased by £17.9m to £47.7m (2013: £65.6m restated) reflecting a net pension loss in the period of £2.1m (2013: £9.9m loss), loss after tax of £6.7m (2013: £1.2m profit) owing to the deferred tax write-down, movements in equity relating to share issues, share options and share dividends adding £0.1m (2013: £0.1m), unfavourable currency impact on overseas asset values of £7.1m (2013: £2.7m favourable) and tax charges booked directly to reserves of £2.1m (2013: £0.2m).

Consolidated Income Statement

For the year ended 31 March 2014

All on continuing operations	note	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 restated+ £m
Revenue	2	**226.1**	208.8
Operating profit	2, 4	**13.4**	11.7
Trading profit*		**15.5**	13.7
Amortisation of intangible assets		**(1.5)**	(1.5)
Exceptional items	5	**0.2**	1.1
Pension administration costs		**(0.8)**	(1.6)
Operating profit		**13.4**	11.7
Finance costs	7	**(2.2)**	(2.1)
Profit on ordinary activities before tax		**11.2**	9.6
Taxation on operating activities		**(4.4)**	(4.9)
Taxation on exceptional items and pension administration costs		**(0.4)**	(3.2)
Exceptional deferred tax write off		**(11.3)**	–
Impact of change in tax rate on deferred tax		**(1.8)**	(0.3)
Taxation charge	8	**(17.9)**	(8.4)
(Loss)/profit for the year		**(6.7)**	1.2
Weighted average number of shares	9	**146.4**	146.1
Basic (loss)/earnings per share (p)	9	**(4.6)**	0.8
Diluted (loss)/earnings per share (p)	9	**(4.4)**	0.8
Underlying earnings per share (p)**	9	**7.2**	5.5

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

All on continuing operations	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 restated+ £m
(Loss)/profit for the year	**(6.7)**	1.2
Exchange differences on translating foreign operations	**(7.1)**	2.7
Actuarial (loss)/profit	**(2.2)**	(13.5)
Deferred tax on actuarial loss	**0.1**	3.6
Deferred tax through other comprehensive income	**(0.4)**	–
Exceptional deferred tax through other comprehensive income	**(1.5)**	–
Effect of reduction in UK corporation tax rate on deferred tax	**(0.2)**	(0.2)
Other comprehensive expense for the year	**(11.3)**	(7.4)
Total comprehensive expense for the year	**(18.0)**	(6.2)

+ This relates to the IAS 1 restatement for the change in accounting policy in the current year arising from the adoption of IAS 19 (revised). For details see note 23.

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

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

Consolidated Balance Sheet
As at 31 March 2014

	note	**31 March 2014 £m**	31 March 2013 restated⁺ £m	31 March 2012 restated⁺ £m
Assets				
Non-current assets				
Goodwill	12	**24.1**	26.4	25.1
Intangible assets	13	**3.4**	5.3	6.6
Property, plant and equipment	14	**35.7**	38.4	40.4
Deferred tax asset	8	**8.0**	24.4	26.5
Other receivables	17	**–**	0.3	19.6
		71.2	94.8	118.2
Current assets				
Assets classified as held for sale	15	**–**	28.4	0.6
Inventory	16	**24.1**	23.6	20.8
Trade and other receivables	17	**42.3**	40.5	36.9
Current tax asset		**0.3**	–	0.1
Cash and cash equivalents	18	**13.6**	12.6	16.9
		80.3	105.1	75.3
Liabilities				
Current liabilities				
Financial liabilities:				
– Borrowings and other financial liabilities	20	**(0.1)**	(0.3)	(0.4)
– Derivative financial instruments	21	**(0.1)**	(0.3)	–
Trade and other payables	19	**(43.1)**	(41.3)	(34.0)
Deferred consideration	11	**–**	(4.6)	(6.3)
Liabilities directly associated with assets classified as held for sale	15	**–**	(25.7)	–
Current tax liabilities		**(1.7)**	(0.9)	(1.3)
Provisions	21	**(1.4)**	(0.6)	(2.0)
		(46.4)	(73.7)	(44.0)
Net current assets		**33.9**	31.4	31.3
Non-current liabilities				
Financial liabilities:				
– Borrowings and other financial liabilities	20	**(8.1)**	(10.1)	(9.5)
Trade and other payables	19	**(0.2)**	(0.3)	(0.7)
Deferred consideration		**–**	–	(2.9)
Deferred tax liabilities	8	**(5.1)**	(5.2)	(4.8)
Non-current tax liabilities		**(1.9)**	(1.5)	(1.5)
Retirement benefit obligations		**(40.0)**	(41.2)	(31.5)
Provisions	21	**(2.1)**	(2.3)	(26.9)
		(57.4)	(60.6)	(77.8)
Net assets		**47.7**	65.6	71.7
Shareholders' equity				
Ordinary shares		**7.3**	7.3	7.3
Share premium		**0.2**	0.2	0.2
Retained earnings		**27.0**	37.8	46.6
Translation reserve		**13.2**	20.3	17.6
Total shareholders' equity		**47.7**	65.6	71.7

Consolidated Statement of Changes in Equity
For the year ended 31 March 2014

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings restated[+] £m	Total equity restated[+] £m
Balance at 31 March 2012 (as previously reported)	7.3	0.2	17.6	41.0	66.1
Prior year adjustment (note 23)	–	–	–	5.6	5.6
Balance at 31 March 2012 (restated[+])	7.3	0.2	17.6	46.6	71.7
Employee share option scheme – value of employee services	–	–	–	0.1	0.1
Currency translation differences	–	–	2.7	–	2.7
Actuarial loss on pension schemes	–	–	–	(13.5)	(13.5)
Deferred tax on actuarial loss	–	–	–	3.6	3.6
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.2)	(0.2)
Net income/(expense) recognised directly in equity	–	–	2.7	(10.1)	(7.4)
Profit for the period	–	–	–	1.2	1.2
Total comprehensive income/(expense)	–	–	2.7	(8.9)	(6.2)
Balance at 31 March 2013 (restated[+])	7.3	0.2	20.3	37.8	65.6
Employee share option scheme – value of employee services	–	–	–	0.8	0.8
Dividends to shareholders	–	–	–	(0.7)	(0.7)
Currency translation differences	–	–	(7.1)	–	(7.1)
Actuarial loss on pension schemes	–	–	–	(2.2)	(2.2)
Deferred tax on actuarial loss	–	–	–	0.1	0.1
Deferred tax through other comprehensive income	–	–	–	(0.4)	(0.4)
Exceptional deferred tax through other comprehensive	–	–	–	(1.5)	(1.5)
Effect of reduction in UK corporation rate on deferred tax	–	–	–	(0.2)	(0.2)
Net expense recognised directly in equity	–	–	(7.1)	(4.2)	(11.3)
Loss for the period	–	–	–	(6.7)	(6.7)
Total comprehensive expense	–	–	(7.1)	(10.9)	(18.0)
Balance at 31 March 2014	**7.3**	**0.2**	**13.2**	**27.0**	**47.7**

Consolidated Cash Flow Statement
For the year ended 31 March 2014

All on continuing operations	note	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 £m
Cash flows from operating activities			
Net cash flow from operations	22	**10.3**	12.2
Cash generated from operations before exceptional items	22	**10.1**	13.0
Cash outflows from exceptional items	22	**0.2**	(0.8)
Net cash flow from operations		**10.3**	12.2
Net interest paid		**(0.5)**	(0.4)
Income tax paid		**(2.7)**	(2.6)
Net cash generated from operating activities		**7.1**	9.2
Cash flows used in investing activities			
Acquisition of subsidiary	11	**(2.2)**	(5.1)
Purchase of property, plant and equipment		**(4.9)**	(4.2)
Proceeds from sale of property, plant and equipment		**4.3**	0.7
Net cash used in investing activities		**(2.8)**	(8.6)
Cash flows (used in)/generated from financing activities			
Dividends		**(0.7)**	–
Increase in borrowings		**9.8**	3.3
Repayment of borrowings		**(11.5)**	(3.1)
Net cash (used in)/generated from financing activities		**(2.4)**	0.2
Net increase in cash and cash equivalents		**1.9**	0.8
Cash and cash equivalents at beginning of the year	18	**12.6**	16.7
Exchange (losses)/gains on cash and cash equivalents		**(0.9)**	0.5
Total cash and cash equivalents at end of the year		**13.6**	18.0
Cash transferred to assets and disposal group held for sale	15	**–**	(5.4)
Cash and cash equivalents at end of the year less amounts held for sale	18	**13.6**	12.6

Notes on the Accounts

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 March 2014. 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 2014.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 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 2014. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group’s latest annual audited financial statements. The annual financial statements of Scapa Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Segmental reporting

Business unit segments
The Group trades across three business units: Healthcare, Industrial and Electronics, and in three main geographical areas: Europe, North America and Asia. All inter-segment transactions are made on an arm’s-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 2014 are as follows:

	Healthcare £m	**Industrial £m**	**Electronics £m**	**Head office £m**	**Group £m**
External revenue	69.2	145.7	11.2	–	226.1
Trading profit/(loss)	10.2	7.9	(0.2)	(2.4)	15.5
Amortisation of intangible assets	(1.5)	–	–	–	(1.5)
Exceptional items	1.2	(0.7)	–	(0.3)	0.2
Pension administration costs	–	(0.3)	–	(0.5)	(0.8)
Operating profit/(loss)	9.9	6.9	(0.2)	(3.2)	13.4
Net finance costs					(2.2)
Profit on ordinary activities before tax					**11.2**
Tax charge					(17.9)
Loss for the year					**(6.7)**

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	103.1	110.5	12.5	–	226.1
Trading profit/(loss)	6.7	11.8	(0.6)	(2.4)	15.5
Amortisation of intangible assets	–	(1.5)	–	–	(1.5)
Exceptional items	(0.5)	1.0	–	(0.3)	0.2
Pension administration costs	(0.3)	–	–	(0.5)	(0.8)
Operating profit/(loss)	5.9	11.3	(0.6)	(3.2)	13.4
Net finance costs					(2.2)
Profit on ordinary activities before tax					**11.2**
Tax charge					(17.9)
Loss for the year					**(6.7)**

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	Other £m	Group £m
External revenue	94.5	105.1	12.1	14.4	226.1

There are no single customers with greater than 10% share of the total external revenue of the Group.

The segment results for the year ended 31 March 2013 are as follows:

	Healthcare £m	Industrial restated[†] £m	Electronics £m	Head office restated[†] £m	Group restated[†] £m
External revenue	57.4	140.7	10.7	–	208.8
Trading profit/(loss)	8.4	7.2	(0.3)	(1.6)	13.7
Amortisation of intangible assets	(1.5)	–	–	–	(1.5)
Exceptional items	–	0.6	(0.4)	0.9	1.1
Pension administration costs	–	(0.5)	–	(1.1)	(1.6)
Operating profit/(loss)	6.9	7.3	(0.7)	(1.8)	11.7
Net finance costs					(2.1)
Profit on ordinary activities before tax					**9.6**
Tax charge					(8.4)
Profit for the year					**1.2**

	Europe restated[†] £m	N America £m	Asia £m	Head office restated[†] £m	Group restated[†] £m
External revenue	99.9	97.1	11.8	–	208.8
Trading profit/(loss)	4.7	11.0	(0.4)	(1.6)	13.7
Amortisation of intangible assets	–	(1.5)	–	–	(1.5)
Exceptional items	0.6	–	(0.4)	0.9	1.1
Pension administration costs	(0.5)	–	–	(1.1)	(1.6)
Operating profit/(loss)	4.8	9.5	(0.8)	(1.8)	11.7
Net finance costs					(2.1)
Profit on ordinary activities before tax					**9.6**
Tax charge					(8.4)
Profit for the year					**1.2**

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	Other £m	Group £m
External revenue	90.4	90.8	11.6	16.0	208.8

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

	Healthcare £m	Industrial £m	Electronics £m	Head office £m	Group £m
External revenue	57.4	140.7	10.7	–	208.8
Foreign exchange	(0.4)	0.9	(0.1)	–	0.4
Underlying external revenue	57.0	141.6	10.6	–	209.2
Trading profit/(loss)	8.4	7.2	(0.3)	(1.6)	13.7
Foreign exchange	(0.1)	–	–	–	(0.1)
Underlying trading profit/(loss)	8.3	7.2	(0.3)	(1.6)	13.6

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
External revenue	99.9	97.1	11.8	–	208.8
Foreign exchange	2.0	(1.5)	(0.1)	–	0.4
Underlying external revenue	101.9	95.6	11.7	–	209.2
Trading profit/(loss)	4.7	11.0	(0.4)	(1.6)	13.7
Foreign exchange	0.1	(0.2)	–	–	(0.1)
Underlying trading profit/(loss)	4.8	10.8	(0.4)	(1.6)	13.6

Geographical information

The Group's revenue from external customers, based upon the location where the sale occurred, and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) are detailed below:

	Revenue from external customers 2014 £m	Revenue from external customers 2013 £m	**Non-current assets 2014 £m**	Non-current assets 2013 £m
USA	**89.2**	76.7	**37.8**	42.3
France	**40.8**	37.3	**3.3**	3.7
UK	**30.2**	30.3	**5.0**	5.1
Canada	**21.3**	20.5	**6.4**	8.5
Other countries	**44.6**	44.0	**10.7**	10.5
	226.1	208.8	**63.2**	70.1

Non-current assets exclude those relating to non-current assets held for resale.

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 2014 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	11.1	11.2	1.8	–	24.1
Trade receivables (net)	21.4	15.6	2.4	–	39.4
Trade payables	(19.8)	(9.3)	(0.6)	(0.9)	(30.6)
Cash	6.7	4.5	1.8	0.6	13.6
Additions of property, plant and equipment	2.2	2.5	0.3	0.2	5.2

The assets and liabilities at 31 March 2013 and capital expenditure for the year then ended were as follows:

	Europe £m	**N America £m**	**Asia £m**	**Head office £m**	**Group £m**
Inventory	10.5	11.0	2.1	–	23.6
Trade receivables (net)	20.4	15.2	2.1	–	37.7
Trade payables	(17.6)	(9.2)	(0.6)	(0.8)	(28.2)
Cash	6.3	0.3	1.9	4.1	12.6
Additions of property, plant and equipment	1.8	2.1	0.2	0.4	4.5

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

4. Operating profit

The operating profit for the year is stated after (charging)/crediting:

	2014 Total £m	2013 Total restated[+] £m
Revenue	**226.1**	208.8
Materials and overheads	**(115.0)**	(104.2)
Factory costs	**(16.7)**	(16.6)
Outward freight costs	**(7.1)**	(6.6)
Directors' and employees' costs	**(57.3)**	(53.7)
Depreciation of tangible fixed assets		
– owned assets	**(5.1)**	(5.1)
– leased assets	**(0.1)**	(0.1)
Operating lease rentals		
– land and buildings	**(2.0)**	(1.9)
– plant, machinery and other	**(1.0)**	(1.1)
Repairs and maintenance costs	**(2.4)**	(2.5)
Research and development costs	**(2.5)**	(2.2)
Amortisation of government grants received	**0.2**	0.2
Movement in fair value of financial instruments	**0.2**	(0.3)
Foreign exchange (losses)/gains	**(0.2)**	0.2
Amortisation of intangible assets	**(1.5)**	(1.5)
Profit on disposal of property, plant and equipment and other assets	**1.3**	0.7
Decrease/(increase) in inventory provision	**0.6**	(0.6)
Impairment loss recognised in trade receivables	**(0.1)**	–
Pension administration costs	**(0.8)**	(1.6)

The analysis of auditor's remuneration is as follows:

	2014 Total £'000	2013 Total £'000
Audit fees - Parent company	**80.0**	75.0
Audit fees - subsidiary undertakings	**205.0**	219.0
Taxation compliance services	**58.0**	72.0
Taxation advisory services	**101.0**	93.0
Internal audit services	**–**	9.0
Other assurance services	**8.0**	5.0
Corporate finance services	**226.0**	–
Other non-audit services	**4.0**	34.0
	682.0	507.0

Total audit fees were £285,000 (2013: £294,000). Total non-audit fees were £397,000 (2013: £213,000).

5. Exceptional items

	2014 £m	2013 £m
Operating income:		
Building sale and demolition	**0.8**	–
Webtec deferred consideration adjustment	**2.2**	–
UK pension settlement gain	**0.2**	1.1
Release of asbestos litigation provision (notes 15, 21)	**–**	1.8
Operating expenses:		
Contract start-up costs	**(0.5)**	–
Exceptional bonus payments	**(0.8)**	–
Reorganisation costs	**(1.4)**	–
Abortive acquisition costs	**(0.3)**	–
Asbestos litigation asset (notes 15, 21)	**–**	(1.8)
	0.2	1.1

During the year the Group incurred a number of exceptional gains and costs that are separated for transparency and to provide a better understanding of the underlying performance of the Group. The net result of the gains and costs is an exceptional gain of £0.2m (2013: £1.1m).

Exceptional operating income

An exceptional gain of £2.2m (2013: £Nil) was released as part of the accounting for the acquisition of Webtec. The final earn out based on trading to December 2013 resulted in a release of contingent consideration and brings the total cost of acquisition to US$40.4m versus total potential of US$43.8m.

As previously reported, during the year the Group disposed of the Branly site in Valence, France and after costs to sell recorded a profit on disposal of £1.0m (2013: £Nil). The expected profit on disposal was reported in the 2013 year end accounts as £1.4m and the site included as an asset held for resale at the previous year-end. Additional costs associated with the disposal were incurred in the current year reducing the actual profit on disposal to £1.0m. Against this £1.0m gain, £0.2m of costs relating to the demolition of vacant buildings at a second French site have been deducted as the site-based strategy for France is considered one project. This second site is now a vacant plot of land which the Group is in the process of trying to dispose of. The land is recorded at its historical cost which is below expected market value. This land is not being held as an asset held for resale as, per IFRS 5, the Directors do not have a reasonable expectation that the site will be sold in the near future.

The merger of the UK pension schemes into a single new scheme resulted in a settlement gain of £0.2m (2013: £1.1m). The Group has a policy of reporting its settlement gains as exceptional.

Exceptional operating costs

The Group incurred exceptional costs of £1.4m (2013: £Nil) relating to a Group-wide reorganisation. No additional costs relating to this are expected to be incurred in 2014/15.

Exceptional bonus costs of £0.8m (2013: £Nil) were incurred relating to the one-off share price related incentive that has payout triggers when the share price reaches £1.00 and £1.50. Owing to the rapid increase in share price during the second half of 2013/14, the additional accrual for this payout has been treated as exceptional and separated out from underlying costs.

Contract start-up costs of £0.5m (2013: £Nil) relate to the non-recurring cost of setting up 24/7 manufacturing at a key site by adding additional shifts. The costs of trainers and the direct costs of the shift being trained have been identified and separated out to give a clearer picture of the underlying costs of manufacture. In addition excess material scrap incurred during training and during the initial operation of the shifts has been accounted for as an exceptional cost. As the site is now running at 24/7 and these exceptional costs are not expected to recur, the profits and costs related to the site will be reported within trading profit in future years.

The Group spent £0.3m (2013: £Nil) on costs associated with a potential acquisition. The purchase was aborted and the costs have been separated out.

6. Employee benefit expense

	2014 £m	2013 £m
Wages, salaries and other benefits	**47.4**	44.9
Social security costs	**6.8**	6.6
Share options granted to Directors and employees	**0.8**	0.1
Pension costs – defined contribution plans	**1.8**	1.7
Pension costs – defined benefit plans	**0.5**	0.4
	57.3	53.7
Pension curtailments and service costs (note 5)	**(0.2)**	(1.1)
	57.1	52.6

Average employee numbers	2014	2013
Europe	**620**	609
North America	**499**	491
Asia	**104**	109
	1,223	1,209

7. Net finance costs

	2014 £m	2013 restated+ £m
Interest payable on bank loans and overdrafts	**(0.5)**	(0.5)
Other finance charges	**(0.1)**	(0.2)
Expected return on pension scheme assets less interest on scheme liabilities	**(1.6)**	(1.2)
Discount on assets (note 15)	**–**	0.6
Discount on provisions (notes 15, 21)	**–**	(0.8)
Net finance costs	**(2.2)**	(2.1)

8. Taxation

Income tax charge

	2014 £m	2013 restated+ £m
Current tax:		
Tax on ordinary activities – current year	**(4.0)**	(2.5)
Tax on ordinary activities – prior year	**0.3**	0.1
Tax on exceptional items	**0.1**	–
	(3.6)	(2.4)
Deferred tax:		
Tax on ordinary activities – current year	**(0.7)**	(2.6)
Tax on ordinary activities – prior year	**–**	0.1
Effect of reduction in UK corporation tax rate to 20% (2013: 23%)	**(1.8)**	(0.3)
Tax on exceptional items	**(0.5)**	(3.2)
Exceptional deferred tax write off	**(11.3)**	–
	(14.3)	(6.0)
Tax charge for the year	**(17.9)**	(8.4)

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

	2014 £m	2013 restated[+] £m
Profit on ordinary activities before tax	**11.2**	9.6
Theoretical tax charge at 23% (2013: 24%)	**(2.6)**	(2.3)
Effect of reduction in UK corporation tax rate to 20% (2013: 23%)	**(1.8)**	(0.3)
Deferred tax not recognised in the year and write off of previously recognised deferred tax	**(11.7)**	(1.5)
Income not taxable and other deductions	**0.3**	0.2
Items not deductible for tax purposes and other taxable items	**(0.8)**	(3.2)
Effect of overseas tax rates being higher than UK tax rate	**(1.6)**	(1.5)
Adjustments in respect of prior years	**0.3**	0.2
Actual tax charge for the year	**(17.9)**	(8.4)

Tax on exceptional items and pension administration costs

2014	**Profit/(loss) before tax £m**	**Tax £m**	**Profit/(loss) after tax £m**
Building sale and demolition	0.8	(0.2)	0.6
Webtec deferred consideration adjustment	2.2	(0.8)	1.4
UK pension settlement gain	0.2	–	0.2
Contract start-up costs	(0.5)	0.2	(0.3)
Exceptional bonus payments	(0.8)	–	(0.8)
Reorganisation costs	(1.4)	0.2	(1.2)
Abortive acquisition costs	(0.3)	–	(0.3)
Exceptional items	**0.2**	**(0.6)**	**(0.4)**
Pension administration costs	**(0.8)**	**0.2**	**(0.6)**
Exceptional items including pension administration costs	**(0.6)**	**(0.4)**	**(1.0)**

2013	Profit/(loss) before tax (£m)	Tax (£m)	Profit/(loss) after tax (£m)
UK pension settlement gain	1.1	–	1.1
Release of asbestos litigation provision	1.8	–	1.8
Asbestos litigation asset	(1.8)	–	(1.8)
Exceptional deferred tax write off	–	(1.4)	(1.4)
Asset held for resale	–	(2.2)	(2.2)
Exceptional items	1.1	(3.6)	(2.5)
Pension administration costs	(1.6)	0.4	(1.2)
Exceptional items including pension administration costs	(0.5)	(3.2)	(3.7)

Deferred income tax

During the current year, the basis of recognising the deferred tax asset in the UK was reviewed. Due to the changes in the structure of inter-company loans and the Group's focus to diversify its markets, it was deemed appropriate to write down the carrying value of the UK deferred tax asset to £1.5m. This resulted in a charge to the Income Statement in the year of £10.5m. In line with IAS 12, the Group believes it probable that sufficient taxable profits will be available against which the revised UK deferred tax asset can be utilised.

For the purposes of consistency, the deferred tax recognition criteria throughout the Group has also been reviewed. This has resulted in an additional deferred tax write off of £0.8m, bringing the total of deferred tax written off to £11.3m.

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

	2014 **£m**	2013 restated+ £m
Deferred tax assets:		
– Losses	**4.4**	8.3
– Accelerated tax depreciation	**–**	0.5
– Provisions and other short-term timing differences	**2.6**	4.0
– Tax effect of intangibles	**–**	0.5
– Retirement benefit liabilities	**2.9**	10.0
	9.9	23.3
Deferred tax liabilities:		
– Accelerated tax depreciation	**(2.8)**	–
– Other short-term timing differences	**(0.3)**	(0.4)
– Tax effect of intangibles	**(0.2)**	–
– Provision for potential tax liability	**(3.7)**	(3.7)
	(7.0)	(4.1)

Retirement benefit liabilities include £1.5m (2013: £9.1m) relating to UK pension schemes and the asset backed arrangement entered into in March 2013 (note 25). The reduction is attributable to the change in basis of recognition of deferred tax assets during the year.

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:

	2014 **£m**	2013 restated+ £m
Deferred tax assets as above	**9.9**	23.3
– Other timing differences on assets moved to liabilities	**–**	(0.1)
– Accelerated tax depreciation liabilities/assets in different countries	**(1.9)**	1.2
Deferred tax asset on the Balance Sheet	**8.0**	24.4
Deferred tax liabilities as above	**(7.0)**	(4.1)
– Other timing differences on liabilities moved to assets	**–**	0.1
– Accelerated tax depreciation liabilities in different countries	**1.9**	(1.2)
Deferred tax liability on the Balance Sheet	**(5.1)**	(5.2)

Tax losses amounting to £15.3m (2013: £1.9m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction.

Deferred tax is only recognised in respect of entities that made a trading profit in the current and preceding year.

Movement in deferred tax	2014 £m	2013 restated[+] £m
Beginning of the year	**19.2**	21.7
Income Statement charge	**(12.5)**	(5.7)
Effect of reduction in UK corporation tax rate to 20% (2013: 23%)	**(1.8)**	(0.3)
Exchange differences on translating foreign operations	**–**	0.1
Deferred tax on actuarial loss	**0.1**	3.6
Deferred tax through other comprehensive income	**(0.4)**	–
Exceptional deferred tax through other comprehensive income	**(1.5)**	–
Other comprehensive income effect of reduction in UK corporation tax rate to 20% (2013: 23%)	**(0.2)**	(0.2)
End of year	**2.9**	19.2

Movement in unrecognised deferred tax	2014 £m	2013 £m
Beginning of the year	**4.0**	0.7
Prior year adjustments	**–**	(0.4)
Current year movement in Income Statement	**11.7**	1.5
Current year movement in other comprehensive income	**1.9**	–
Asset held for resale	**–**	2.2
Disposal of asset previously classified as held for resale	**(2.2)**	–
Foreign exchange	**(0.1)**	–
End of year	**15.3**	4.0

In his Budget statements on 21 March 2012 and 20 March 2013, the UK Chancellor of the Exchequer announced reductions in the rate of corporation tax to 23% from 1 April 2013, 21% from 1 April 2014 and 20% from 1 April 2015.

As at 31 March 2014, the reduction in the rate of corporation tax to 20% had been substantively enacted. Deferred tax balances have therefore been revalued to the lower rate of 20% in these accounts.

9. (Loss)/earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares (151,411,376) (2013: 153,411,847). Diluted (loss)/earnings per share has been calculated including share options in existence at 31 March 2014.

Underlying

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

	2014	2013 restated[+]
(Loss)/profit attributable to equity holders of the Company (£m)	**(6.7)**	1.2
Weighted average number of ordinary shares in issue (m)	**146.4**	146.1
Basic (loss)/earnings per share (p)	**(4.6)**	0.8
Weighted average number of shares in issue, including potentially dilutive shares (m)	**151.4**	153.4
Diluted (loss)/earnings per share (p)	**(4.4)**	0.8
Underlying earnings per share (p)	**7.2**	5.5

10. Dividend per share

A final dividend of 1.0p per share is proposed for the year ended 31 March 2014 (2013: 0.5p).

11. Acquisition of subsidiary

There were no acquisitions during the year.

On the 22 December 2011, the Group acquired the assets and liabilities of Webtec, a US-based leading contract manufacturer and full-service converter, printer and packager of adhesive backed medical devices. Total consideration for the acquisition was £27.2m and the fair value of net assets acquired was £14.2m, resulting in goodwill recognition of £13.0m. Of the consideration of US$45.0m, US$30.0m was settled in cash with US$15.0m of contingent consideration. The contingent consideration had a two-year payout maturity, with any shortfall from year one having the potential to be paid in year two, subject to performance.

During the year ended 31 March 2013, £5.1m of the contingent consideration was paid. A further £2.2m was paid during the year ended 31 March 2014 and the remaining contingent consideration (£2.2m) was released through the Income Statement as exceptional income (see note 5).

12. Goodwill

	2014 £m	2013 £m
1 April	**49.6**	47.2
Exchange differences	**(5.6)**	2.4
31 March	**44.0**	49.6
Accumulated amortisation and impairment		
1 April	**(23.2)**	(22.1)
Exchange differences	**3.3**	(1.1)
31 March	**(19.9)**	(23.2)
Net book value at 31 March	**24.1**	26.4

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2014. The recoverable amount has been determined on a value in use basis on each cash-generating unit using the management approved 12-month forecasts for each cash-generating unit. The base 12-month projection is inflated by 3.0% up to year 5, which management believes does not exceed the long-term average growth rate for the industry, and then kept constant for years 6 to 20. These cash flows are discounted at a pre-tax discount rate of 9.7% and adjusted for specific risk factors that take into account the sensitivities of the projection. Terminal values are not used in the calculations. The Group has conducted a sensitivity analysis on the impairment test. If the assumed growth rate in years 2–5 was reduced to 0%, the recoverable amount of all cash-generating units individually would remain greater than their carrying values. An increase in the pre-tax discount rate to 14.6% would equally result in positive headroom on the carrying value of goodwill for each cash-generating unit.

The pre-tax discount rate used by the Group has increased from 9.5% in the prior year to 9.7% for the year ending 31 March 2014. This increase follows a change in risk rates used in calculating the discount rate. Although the Group's discount rate has declined, a number of peers in the benchmark group saw risk rate increases. As a result, the overall pre-tax discount rate has increased to 9.7%.

Goodwill relates to the Acutek Medical operation £11.5m (2013: £12.7m) and Webtec medical operation £12.6m (2013: £13.7m).

13. Other intangible assets

	Contracts in progress £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 2012	1.1	3.3	2.2	0.4	7.0
Exchange differences	0.1	0.1	0.1	–	0.3
31 March 2013 and 1 April 2013	1.2	3.4	2.3	0.4	7.3
Exchange differences	(0.1)	(0.3)	(0.2)	–	(0.6)
31 March 2014	**1.1**	**3.1**	**2.1**	**0.4**	**6.7**
Amortisation					
1 April 2012	(0.1)	(0.2)	(0.1)	–	(0.4)
Exchange differences	–	(0.1)	–	–	(0.1)

Charge for the year	(0.4)	(0.6)	(0.4)	(0.1)	(1.5)
31 March 2013 and 1 April 2013	(0.5)	(0.9)	(0.5)	(0.1)	(2.0)
Exchange differences	–	0.1	0.1	–	0.2
Charge for the year	(0.4)	(0.7)	(0.3)	(0.1)	(1.5)
31 March 2014	**(0.9)**	**(1.5)**	**(0.7)**	**(0.2)**	**(3.3)**
Carrying amount					
31 March 2014	**0.2**	**1.6**	**1.4**	**0.2**	**3.4**
31 March 2013	0.7	2.5	1.8	0.3	5.3

Remaining useful economic life	0.5 years	2.5 years	3.75 years	3.75 years	

The acquisition of Webtec in December 2011 brought significant benefit to the Group in terms of customers, relationships and technology 'know-how'. These benefits have been valued under IFRS 3 using estimates of useful lives and discounted cash flows of expected income. The values are being amortised over useful economic lives of three to six years. The three-year period is being used on the committed contracts and the longer period is being used for the technology and know-how where the benefits are likely to crystallise over a longer period. No value has been assigned to brand names, as Webtec is a contract manufacturer and inherent brand value resides with customers rather than the manufacturer.

14. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under constructio n £m	Total £m
Cost							
1 April 2012	19.2	8.3	89.0	5.2	18.1	0.6	140.4
Exchange differences	0.5	–	1.6	0.1	0.2	–	2.4
Additions	–	0.1	1.9	0.1	0.8	1.6	4.5
Disposals	–	–	(0.2)	–	(0.5)	–	(0.7)
Transfer to assets and disposal group held for resale (note 16)	(3.1)	–	(0.3)	–	–	–	(3.4)
Transfers	–	–	1.0	–	–	(1.0)	–
31 March 2013 and 1 April	16.6	8.4	93.0	5.4	18.6	1.2	143.2
Exchange differences	(1.3)	(0.1)	(4.8)	(0.2)	(0.5)	–	(6.9)
Additions	0.2	0.3	3.4	0.1	0.2	1.0	5.2
Disposals	–	–	(0.9)	–	(0.1)	–	(1.0)
Transfers	–	–	0.9	–	–	(0.9)	–
31 March 2014	**15.5**	**8.6**	**91.6**	**5.3**	**18.2**	**1.3**	**140.5**
Accumulated depreciation							
1 April 2012	(9.8)	(4.4)	(65.7)	(4.4)	(15.7)	–	(100.0)
Exchange differences	(0.2)	–	(0.9)	(0.1)	(0.1)	–	(1.3)
Depreciation	(0.5)	(0.3)	(3.3)	(0.2)	(0.9)	–	(5.2)
Impairment of assets	–	–	(0.4)	–	–	–	(0.4)
Transfer to assets and disposal group held for resale (note 16)	1.3	–	0.1	–	–	–	1.4
Disposals	–	–	0.2	–	0.5	–	0.7
31 March 2013 and 1 April	(9.2)	(4.7)	(70.0)	(4.7)	(16.2)	–	(104.8)
Exchange differences	0.5	–	3.1	0.2	0.4	–	4.2
Depreciation	(0.5)	(0.2)	(3.3)	(0.2)	(1.0)	–	(5.2)
Disposals	–	–	0.9	–	0.1	–	1.0
31 March 2014	**(9.2)**	**(4.9)**	**(69.3)**	**(4.7)**	**(16.7)**	**–**	**(104.8)**
Carrying amount							
31 March 2014	**6.3**	**3.7**	**22.3**	**0.6**	**1.5**	**1.3**	**35.7**
31 March 2013	7.4	3.7	23.0	0.7	2.4	1.2	38.4

The Group has not revalued any item of property, plant and equipment. Impairment of property plant and equipment of £0.4m was booked in the prior year following a review of the projected future cash flows relating to an Asian site.

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

	2014 £m	2013 £m
Cost	**1.1**	0.9
Accumulated depreciation	**(0.3)**	(0.2)
Net book amount	**0.8**	0.7

During the year ending March 2014 there were no events or changes in circumstance that would indicate the carrying value of property, plant and equipment may not be recoverable.

15. Assets and directly associated liabilities classified as held for sale

Assets classified as held for sale	**2014 £m**	2013 £m
Carlstadt site	**–**	0.6
Branly site – transferred from property, plant and equipment (note 15)	**–**	2.0
Assets of disposal group held for sale (see below)	**–**	25.8
Carrying value at 31 March	**–**	28.4

Liabilities directly associated with assets classified as held for sale		
Liabilities of disposal group held for sale (see below)	**–**	25.7
Carrying value at 31 March	**–**	25.7

A dormant site in Carlstadt, USA was sold on 26 April 2013 and the ownership transferred to a third party. The disposal generated a profit on disposal of £0.3m (2013: £Nil) reported as part of the profit on disposal of property, plant and equipment and other assets in note 3.

On 25 April 2013, the Group signed a sales agreement with a third party to sell the Branly site in Valence, France. The disposal generated a profit of £1.0m (2013: £Nil), included in the profit on disposal of property, plant and equipment in note 3. Additionally, owing to the size of the profit on disposal, the item has also been separately disclosed as exceptional income in note 4.

On 15 April 2013 the Board disposed of two 100%-owned subsidiary undertakings, Scapa Holdings Georgia Inc and Scapa Waycross Inc (together 'Georgia'). The net assets of Georgia along with the associated asbestos liabilities transferred on disposal of Georgia to its new owner. There is no profit or loss on disposal in the current year as the disposal group was impaired to fair value in the prior year.

The results of the disposal group held for sale, which have been included in the Consolidated Income Statement, are as follows:

	2014 £m	2013 £m
Release of asbestos litigation costs provision (note 21)	**–**	0.4
Asbestos litigation claims release (notes 5, 21)	**–**	1.8
Asbestos litigation insurance asset (note 5)	**–**	(1.8)
Discount on assets (note 7)	**–**	0.6
Discount on provision (notes 7, 21)	**–**	(0.8)
Net profit attributable to disposal group assets held for sale	**–**	0.2

There is no tax charge/credit to the Income Statement attributable to the disposal group.

16. Inventory

	2014 £m	2013 £m
Raw materials	**8.8**	10.3
Work in progress	**5.9**	5.7
Finished goods	**9.4**	7.6
	24.1	23.6

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £115.0m (2013: £104.2m).

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

17. Trade and other receivables

	2014 £m	2013 £m
Amounts due within one year:		
Trade receivables	**40.2**	38.5
Less: provisions for impairment	**(0.8)**	(0.8)
Trade receivables – net	**39.4**	37.7
Other debtors	**1.3**	1.3
Prepayments and accrued income	**1.6**	1.5
Total amounts due within one year	**42.3**	40.5
Amounts due after more than one year:		
Other debtors	**–**	0.3
Total amounts due after more than one year	**–**	0.3

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

	2014 £m	2013 £m
Pounds Sterling	**4.7**	4.7
US Dollars	**16.1**	15.0
Euros	**17.0**	15.7
Other	**4.5**	5.1
	42.3	40.5

All amounts due after more than one year are denominated in US Dollars. Management review individual receivables and provide for overdue amounts specifically.
At the year end, the following trade receivables balances were overdue but not impaired:

	2014 £m	2013 £m
Less than 1 month	**2.2**	1.9
Between 1 and 3 months	**0.6**	0.4
	2.8	2.3

Overdue analysis includes impact of foreign exchange movements. Historically customer default is low. The credit quality of the year end receivables balance is considered high. As such all of the above amounts are considered recoverable.
The movement in the impairment provision for trade receivables is as follows:

	2014 £m	2013 £m
Opening provision at 1 April	**0.8**	0.7
Charge for the year	**0.1**	0.1
Receivables written off in the year	**(0.1)**	–
Closing provision at 31 March	**0.8**	0.8

Included in the impairment provision are individually impaired trade receivables with a gross balance of £1.1m (2013: £0.8m). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

Ageing of impaired trade receivables:

	2014 £m	2013 £m
Greater than 3 months	**0.8**	0.8
	0.8	0.8

18. Cash and cash equivalents

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

	2014 £m	2013 £m
Cash and cash equivalents	**13.6**	12.6
Bank overdrafts	**–**	–
	13.6	12.6

19. Trade and other payables

	2014 £m	2013 £m
Amounts due within one year:		
Trade payables and trade accruals	**30.6**	28.2
Other taxes and social security	**4.3**	4.6
Other creditors	**8.2**	8.5
	43.1	41.3
Amounts due after more than one year:		
Other creditors	**0.2**	0.3
	0.2	0.3

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

	2014 £m	2013 £m
Pounds Sterling	**10.5**	9.0
US Dollars	**12.0**	12.4
Euros	**16.3**	15.4
Other	**4.3**	4.5
	43.1	41.3

	2014 £m	2013 £m
Pounds Sterling	**0.1**	0.3
US Dollars	**0.1**	–
	0.2	0.3

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 85 days (2013: 85 days), stated using the non-labour element of cost of goods sold. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. Borrowings

	2014 £m	2013 £m
Amounts due within one year:		
Bank loan	**–**	0.1
Finance leases	**0.1**	0.2
	0.1	0.3
Amounts due after more than one year:		
Bank loan	**8.0**	10.0
Finance leases	**0.1**	0.1
	8.1	10.1
Total borrowings	**8.2**	10.4

In January 2014 the Group entered into a new committed multi-currency facility with a club of three UK banks. The principal features of the facility are:

1. the committed value of the facility is £40m
2. there is access to an uncommitted accordion of an additional £20m
3. it is unsecured
4. it is repayable in June 2018
5. the interest payable on drawings under the loan is based on inter-bank interest plus a sliding scale margin determined by the Group's leverage; the margin is currently 1.5%
6. the facility has two covenants – the ratio of EBITDA to interest paid must be above 4:1, and the ratio of EBITDA to net debt must be less than 3, reducing to 2.5 over time.

The US Dollar interest rate exposure is mitigated via swap contracts entered into in January 2012 – see note 22. The carrying value of borrowings is approximate to their fair value. The effective interest rates (including swap interest rates) at the Balance Sheet date were as follows:

	US and Canadian Dollars
31 March 2014 – Bank loans and overdrafts	3.6%
31 March 2013 – Bank loans and overdrafts	2.5%

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

	2014 £m	2013 £m
Pounds Sterling	**0.1**	0.3
US Dollars	**8.1**	10.1
	8.2	10.4

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 2014 financial assets have been recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place totalling less than £0.1m (2013: liability £0.1m).

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

	2014 £m	2013 £m
Bank loan	**31.5**	10.0
Overdrafts	**1.6**	0.1

21. Provisions

	Asbestos litigation claims £m	Asbestos litigation costs £m	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 1 April 2013	–	–	2.6	0.3	2.9
Exchange differences	–	–	(0.1)	–	(0.1)
Additions in the year	–	–	0.7	0.6	1.3
Release in year	–	–	–	(0.1)	(0.1)
Utilised in the year	–	–	(0.4)	(0.1)	(0.5)
At 31 March 2014	**–**	**–**	**2.8**	**0.7**	**3.5**
Analysis of provisions:					
Current	–	–	0.8	0.6	1.4
Non-current	–	–	2.0	0.1	2.1
At 31 March 2014	**–**	**–**	**2.8**	**0.7**	**3.5**

	Asbestos litigation claims £m	Asbestos litigation costs £m	Reorganisation and leasehold commitments £m	Environmental £m	Total £m
At 1 April 2012	20.5	5.5	2.5	0.4	28.9
Exchange differences	1.1	0.3	–	–	1.4
Additions in the year	–	–	0.3	–	0.3
Release in year (note 15)	(1.8)	(0.4)	–	–	(2.2)

Utilised in the year	–	(0.3)	(0.2)	(0.1)	(0.6)
Unwinding of discount (notes 8, 16)	0.6	0.2	–	–	0.8
Transfer to liabilities and disposal group held for resale (note 16)	(20.4)	(5.3)	–	–	(25.7)
At 31 March 2013	–	–	2.6	0.3	2.9
Analysis of provisions:					
Current	–	–	0.5	0.1	0.6
Non-current	–	–	2.1	0.2	2.3
At 31 March 2013	–	–	2.6	0.3	2.9

– Asbestos litigation claims and asbestos litigation costs

On 15 April 2013, the Group disposed of its 100%-owned subsidiary undertakings, Scapa Holdings Georgia Inc and Scapa Waycross Inc. Following these disposals the Group has no ongoing exposure to any associated asbestos-related claims or litigation defence costs previously held within these companies (see note 15).

– Reorganisation and leasehold commitments

The £2.8m (2013: £2.6m) reorganisation provision relates to dilapidations for leasehold property of £1.5m (2013: £1.4m), £0.7m (2013: £0.7m) for a land value guarantee related to a disposal in 2007 and £0.6m (2013: £0.5m) in relation to reorganisation costs.

Whilst the timing of the economic benefits relating to the non-current provisions cannot be ascertained with any degree of certainty, the leasehold commitments are expected to take place within the next one to two years.

– Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in both Europe of £0.5m (2013: £0.1m) and North America of £0.1m (2013: £0.2m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next four years.

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

All on continuing operations	**Year ended 31 March 2014 £m**	Year ended 31 March 2013 restated[+] £m
Operating profit	**13.4**	11.7
Adjustments for:		
Depreciation and amortisation	**6.7**	6.7
Profit on disposal of fixed assets	**(1.3)**	(0.7)
Impairment of tangible fixed assets	**–**	0.4
Pensions payments in excess of charge	**(4.6)**	(4.0)
Pension curtailments and past service charges	**(0.2)**	(1.1)
Movement in fair value of financial instruments	**(0.2)**	0.1
Share options charge	**0.8**	0.1
Grant income released	**(0.2)**	(0.2)
Changes in working capital:		
– Inventories	**(2.2)**	(2.0)
– Trade debtors	**(3.9)**	(3.5)
– Trade creditors	**4.2**	4.4
Changes in trading working capital	**(1.9)**	(1.1)
Other debtors	**–**	(0.4)
Other creditors	**(0.7)**	1.4
Deferred consideration	**(2.2)**	–
Net movement in environmental provisions	**0.4**	(0.1)
Net movement in reorganisation provisions and leasehold commitments	**0.3**	0.1
Net movement in asbestos litigation cost provisions	**–**	(0.7)
Net movement in asbestos litigation claims provisions	**–**	(1.8)

Net movement in asbestos insurance receivable	–	1.8
Cash generated from operations	**10.3**	12.2

Cash generated from operations before exceptional items	**10.1**	13.0
Cash inflows/(outflows) from exceptional items	**0.2**	(0.8)
Cash generated from operations	**10.3**	12.2

Analysis of cash and cash equivalents and borrowings

	At 1 April 2013 £m	Cash flow £m	Non-cash movement £m	Exchange movement £m	**At 31 March 2014 £m**
Cash and cash equivalents	12.6	1.9	–	(0.9)	**13.6**
Bank overdrafts	–	–	–	–	**–**
	12.6	1.9	–	(0.9)	**13.6**
Borrowings within one year	(0.3)	0.2	–	–	**(0.1)**
Borrowings after more than one year	(10.1)	1.5	(0.2)	0.7	**(8.1)**
	(10.4)	1.7	(0.2)	0.7	**(8.2)**
Total	2.2	3.6	(0.2)	(0.2)	**5.4**

23. Prior period restatement

The accounting for the Group's defined benefit pension scheme obligation has been impacted by the adoption in the year of IAS 19 (revised) and its related amendments. The most significant change for the Group is the release of provisions for future scheme management costs. Previously these were held within the retirement benefit obligation in the Balance Sheet and the associated costs were not separated out in the Income Statement. In addition, the interest cost and expected return on plan assets have been replaced with a net interest charge on the net defined benefit liability. The pension administration costs for the current period are £0.8m (2013 restated+: £1.6m); the IAS 19 (revised) finance costs are £1.6m (2013 restated+: £1.2m). Prior year comparatives have been restated and details of the impact are given in the tables below.

Impact on the retirement benefit obligations and deferred tax asset

	31 March 2013		31 March 2012	
	Retirement benefit obligations £m	Deferred tax asset £m	Retirement benefit obligations £m	Deferred tax asset £m
As previously reported	(46.2)	10.6	(38.9)	9.3
Prior period adjustment	5.0	(1.2)	7.4	(1.8)
As restated	(41.2)	9.4	(31.5)	7.5

Impact on the Consolidated Income Statement

	31 March 2013		
	As previously reported £m	Prior period adjustment £m	As restated £m
Trading profit	13.7	–	13.7
Amortisation of intangible assets	(1.5)	–	(1.5)
Exceptional items	1.1	–	1.1
Pension administration costs	–	(1.6)	(1.6)
Operating profit	13.3	(1.6)	11.7
Finance costs	(1.0)	(1.1)	(2.1)
Profit before tax	12.3	(2.7)	9.6
Tax	(8.4)	–	(8.4)
Tax on operating activities	(4.5)	(0.4)	(4.9)
Tax on exceptional items, amortisation and pension administration costs	(3.6)	0.4	(3.2)
Impact of change of tax rate on deferred tax	(0.3)	–	(0.3)
Profit for the year	3.9	(2.7)	1.2
Earnings per share			
Basic earnings per share (p)	2.7	(1.9)	0.8
Diluted earnings per share (p)	2.6	(1.8)	0.8

Impact on the Consolidated Statement of Comprehensive Income

	31 March 2013		
	As previously reported £m	Prior period adjustment £m	As restated £m
Profit for the year	3.9	(2.7)	1.2
Exchange differences on translating foreign operations	2.7	–	2.7
Actuarial (loss)/profit	(13.8)	0.3	(13.5)
Deferred tax on actuarial loss	3.1	0.5	3.6
Effect of reduction in UK corporation tax rate on deferred tax	(0.3)	0.1	(0.2)
Other comprehensive expense for the year	(8.3)	0.9	(7.4)
Total recognised loss for the year	(4.4)	(1.8)	(6.2)