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Scapa Group plc
Preliminary Results

Scapa Group plc (AIM: SCPA) today announces its Preliminary Results for the year ended 31 March 2018.

Financial Highlights:

- Revenue grew 4.3% to £291.5m (2017: £279.6m); 3.1% constant fx
- Trading profit* increased 18.2% to £34.5m (2017: £29.2m); 17.3% constant fx
- Trading profit* margins further improved to 11.8% (2017: 10.4%)
- Adjusted earnings per share** increased 23.0% to 18.2p (2017: 14.8p)
- Basic earnings per share of 15.4p (2017: 11.6p)
- Net debt of £3.8m (2017: £16.1m) after paying US$18.6m (£13.3m) for the acquisition of BioMed Laboratories LLC and US$10.2m (£7.6m) for the acquisition of Markel Industries
- Final dividend increased 20.0% to 2.4p (2017: 2.0p)
- Pension deficit reduced to £21.0m (2017: £31.4m)

Operational Highlights:

Healthcare

- Revenue increased 3.8% to £112.8m (2017: £108.7m); 4.3% constant fx
- Trading profit grew 4.8% to £17.4m (2017: £16.6m); 5.5% constant fx
- Full year margins at 15.4% (2017: 15.3%)
- Acquisition of BioMed on 23 March 2018 expanding capabilities beyond adhesives value chain into liquids, powders and gels
- Two technology transfers signed and expected to benefit revenues in H2 FY19
- Commenced construction of new facility to consolidate operations and expand capacity in Tennessee, US

Industrial

- Revenue increased 4.6% to £178.7m (2017: £170.9m); 2.4% constant fx
- Trading profit grew 26.4% to £22.5m (2017: £17.8m); 24.3% constant fx
- Margins increased to 12.6% (2017: 10.4%), on journey to 15% target
- Markel acquisition completed and integration into existing Scapa facility progressing well
- Swiss facility closure delivering savings and property successfully sold for £13.3m
- Korean factory closed and Asia infrastructure rationalised
- New factory in India opened to serve auto and local construction market

Commenting on the results Chief Executive, Heejae Chae said:

"The year has been successful both financially and strategically. We completed two acquisitions, one in Healthcare and one in Industrial, which are strategically significant. We also signed two technology transfers that validate our Healthcare strategy. We continue to drive growth and margin improvement across both Healthcare and Industrial and there are considerable opportunities in both businesses. We are confident about the future outlook of the Group".

* Profit before tax, before net finance costs, amortisation of intangible assets, exceptional items and pension administration costs
** Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year

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CHAIRMAN'S LETTER

Dear Shareholder

My first full year as Chairman has seen continued progress for Scapa, with good performance in both business units. Healthcare continues to challenge the status quo of the healthcare markets we serve by expanding our position as the turn-key partner of choice to our market leading global customers. The acquisition of BioMed Laboratories LLC ('BioMed') expanded our capability beyond the adhesive value chain into formulations of liquids, powders and gels. As our customers review the strategic rationale of their integrated structure, our position is to provide an alternative to their strategy. Industrial is overcoming the internal challenges, which has resulted in its margin expanding from loss-making towards mid-teens. Through our self-help journey, we have developed significant competence in operational excellence to optimise the return on assets. We recognise that the pressure sensitive materials market in which Industrial competes is extremely fragmented and inefficient. We want to challenge the dynamics of sufficiency in the market. We made our first Industrial business unit acquisition in Markel Industries ('Markel') which provides our first opportunity to validate our self-help strategy externally. Whilst we are faced with many challenges, there is still much to do to achieve the full potential of the business, and I remain confident of the Group's ability to continue to deliver.

Great progress and potential

The healthcare sectors in which we participate are undergoing significant change. The status quo of the integrated model of our healthcare customers is being challenged by the changing market dynamics. We are seeing increasing evidence of our customers in wound care, consumer and medical devices evaluating their strategy and operating models. In the near term, we have benefited from their need to outsource products to reduce their costs and accelerate time to market. We have built a healthy project pipeline that should continue to support our organic growth. Furthermore, we are seeing our involvement moving further up in the product lifecycle including development and innovation. Today, 80% of our pipeline is turn-key solution with Scapa's proprietary technology or manufacturing know-how. The latest opportunity that we are participating in is what we have termed 'technology transfers'. Our customers are beginning to outsource not just manufacturing volume but also their assets and technology for Scapa to subsume. During the year, we have signed two technology transfers, one with a wound care company and the other with a global consumer product company. As part of the technology transfer, we have also entered into an innovation agreement to develop the next generation of product range which ensures that we can continue to drive product pipeline and innovation. We expect the revenue from the two transfers will benefit the second half of fiscal year 2019.

We continue to invest in the Healthcare business to further strengthen our strategic partnership with customers such as Johnson & Johnson and Convatec by broadening our capabilities. During the year, we acquired BioMed which expanded our expertise beyond the adhesive value chain into formulations of liquids, powders and gels. The products are complementary to Scapa's existing wound care and ostomy management portfolio and will expand our OTC and health and beauty ranges within the Consumer Wellness segment. We have also started construction of a new facility in Knoxville, Tennessee, which will allow us to consolidate our current business there onto one site as well as provide significant additional capacity for expansion.

Industrial continues to deliver on the self-help agenda as it improves margin performance and return on capital employed. Last year we outlined our target to achieve 15% margins and over the medium-term return to a GDP+ level of revenue growth – this goal remains realistic. During the year we exited our Korean factory and rationalised our Asian cost base. We believe that the investment required would outweigh the scale and relative opportunity of our Asian business.

As we continue to optimise our portfolio, we are confident that we will begin to drive growth in Industrial. We will focus on niche markets with competitive advantage such as Cable and India. Strategically, we also see an opportunity to leverage the operational excellence capabilities that we have gained in our self-help journey. There are many companies that can benefit from our drive to efficiency and asset utilisation. During the year, we acquired Markel, a manufacturer of adhesive floor mats, based in the US. Beyond the complementary product range, there are significant operational synergies as we consolidate its operations into Scapa's footprint which will deliver savings in FY19. We believe that there are other similar opportunities in the market where we can apply the skills that we have built over the course of our journey.

Financial performance and dividend

I am pleased to report that 2017/18 was another strong year for Scapa, with improvements in sales, trading profits and margins. Group revenue increased 4.3% to £291.5m (2017: £279.6m) and trading profit increased 18.2% to £34.5m (2017: £29.2m). On a constant currency basis, revenue and trading profit grew 3.1% and 17.3% respectively, with the currency gains seen in H1 offset by headwinds in H2. Group trading profit margins increased to 11.8% from 10.4%. Profit before tax increased by 32.1% to £28.8m (2017: £21.8m). Adjusted earnings per share increased 23.0% to 18.2p (2017: 14.8p) and basic earnings per share was 15.4p (2017: 11.6p).

This year has seen a further strengthening of the Balance Sheet, including continued actions to manage the legacy pension scheme deficit. The Group ended the year with net debt of £3.8m (2017: £16.1m), after the acquisition of Markel in August 2017 for US$10.2m (£7.6m) and BioMed in March 2018 for an initial cash consideration of US$18.6m (£13.3m), which were offset by the sale of our property in Rorschach, Switzerland in July 2017 for £13.3m. The business continues to focus on cash flow and working capital management. The Group refinanced its revolving credit facility in October 2017, with a new committed £70m facility with £30m accordion, on improved terms.

Given the continuing progress and improved performance, the Board is proposing to increase the final and full year dividend by 20% to 2.4p (2017: 2.0p). Subject to the approval of shareholders at the forthcoming Annual General Meeting the dividend will be paid on 17 August 2018 to shareholders on the register on 20 July 2018. The ex-dividend date is 19 July 2018.

Governance and the Board

As the Group continues to grow both organically and through acquisition, the Board recognises that a strong governance framework and good internal controls, supported by common values and culture, are critically important. The Board added two new Non-Executive Directors during the year, Pierre Guyot, former CEO of Mölnlycke Health Care AB, and Brendan McAtamney, CEO of UDG Healthcare plc, who both bring extensive experience of the healthcare market to Scapa, in addition to their broad business experience. Richard Perry will retire at the AGM after 13 years' service, and I would like to thank him for his contribution to Scapa's journey.

The Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Group. An internal review of Board effectiveness was conducted in 2018.

People

Since becoming Chairman, I have visited many of our sites and had the opportunity to meet people across the organisation. It is evident that Scapa's recent success is a result of the skill and dedication of our employees who have accepted the challenge to make the business better. On behalf of the Board, I would like to thank all the employees for their hard work and dedication.

On 10 April 2018, we unfortunately experienced a fatality at our Dunstable site, which has profoundly shocked and saddened us. We are assisting the Health & Safety Executive (HSE) to fully investigate the incident. As a Board, the health, safety and welfare of our people are paramount and we are fully committed to resolving this issue and striving to make sure it never happens again.

Outlook

2017/18 was another year of good progress for Scapa. We remain focused on delivering our targets for Healthcare and Industrial. We believe that both businesses are well placed strategically to address the challenges that face the markets we serve. Healthcare will challenge the status quo of our customers as they shift their strategy and operating model. Industrial will challenge the expectations of our customers and market based on sufficiency. I remain confident of Scapa's ability to deliver increased returns to our shareholders.

L C Pentz
Chairman

CHIEF EXECUTIVE'S STRATEGIC REVIEW

Overview

The year has been successful both financially and strategically. We continue to improve on our record performance in both Healthcare and Industrial. Group trading profit grew 18.2% and margins increased again to 11.8%. We completed two acquisitions that further validate our strategy to take the Group beyond the current opportunities and potentials. The acquisition of Markel Industries ('Markel') was our first acquisition within the Industrial business unit. Markel allows us to apply the operational excellence capabilities, that we accumulated through our self-help journey, externally to the fragmented and inefficient pressure sensitive materials market. The Healthcare acquisition of BioMed Laboratories LLC ('BioMed') is equally significant as it is our first acquisition beyond the adhesive value chain into formulations of liquids, powders and gels. The opportunities in healthcare are leveraging our portfolio of leading global healthcare companies such as Johnson & Johnson and Convatec to gain a greater share of their available spend. We have also signed two technology transfers where we are subsuming our customers' assets and technologies. The technology transfers are tangible evidence that the integrated operational model of our Healthcare customers are in transition. We believe that the dislocation of the traditional model provides Scapa with significant opportunities. We recognise that whilst the potential for both businesses is significant, we need to overcome equally significant challenges.

The healthcare industry, including the sectors we serve, is going through a significant structural change. Every part of healthcare is under tremendous pressure to do more with less. As the population grows and funding reduces, the healthcare sector is looking for new ways of doing business. We recognised that trend six years ago and decided to focus on outsourcing which has served us well. Equally we recognised the importance of incorporating proprietary technology and know-how into our products, and built a healthy project pipeline that is 80% turn-key with Scapa technology and manufacturing know-how. We are now seeing further evolution of our customers' strategy – evaluating their integrated model and defining their core competence. Based on our position as the trusted strategic partner of choice, we are offering a solution that is gaining acceptance and consideration.

During the year, we have signed two technology transfers; one with a wound care company and the other with a global consumer product company. In each case, we are subsuming our customers' assets and technology to become the exclusive provider of the products. As part of the technology transfer, we have also entered into an innovation agreement to develop the next generation of product ranges which ensures that we can continue to drive product pipeline and innovation along with a long-term supply agreement. We are in numerous discussions with other customers who are evaluating potential transactions. The strategic benefits of technology transfers to Scapa are numerous. Beyond the financial benefits that these arrangements offer, we become an integrated part of our customers' value chain; we participate at the earliest stage of product development with our technology; we acquire technologies and assets which are already commercialised; and we accelerate our evolution to a fully-fledged healthcare company.

We will continue to add to our platform to further strengthen our position as the strategic partner of choice. We continue to acquire capabilities that can service wider opportunities with our customers. The acquisition of BioMed, based in Dallas, Texas, expands our capabilities beyond the adhesive based value chain into formulations of liquids, powders and gels. BioMed will enable us to address the ostomy segment of our customers as well as the OTC and health and beauty aisles of our consumer product customers. We are also investing to reinforce our existing platform to drive efficiency and margin improvement. We have commenced construction of a purpose built facility in Knoxville, Tennessee to consolidate the three buildings that we have outgrown and to provide capacity for further growth. We are also investing in people as we bring on multiple projects which require validation and integration. Our main challenge in Healthcare is to overcome the status quo and conservatism of our customers.

Industrial's self-help strategy continues to deliver improvement in margin and return on capital employed. The trading profit increased 26.4% improving our margin to 12.6%, closer to the medium-term target of 15%. Equally, as we optimise our portfolio, we believe that we can return to growth in line with the market. We see opportunities in niche markets where we have competitive advantage. In India, we have established a growing business leveraging our automotive customers that are shifting their supply chain to India and are looking for localised suppliers. We are benefiting from the robust local economy driving the construction business. We have built a new facility in Chennai, India to support the business which has nearly doubled in the last year. We also saw close to double-digit growth in the Cable segment. We believe that the positive momentum will be maintained based on major infrastructure projects that are due to come on line. Verizon's upgrade of its fibre network to 5G in the US is expected to start in 2018. Also, two major projects in Europe are expected to start shortly with a completion target of 2022. Viking Link, connecting the UK to Denmark, will be the world's longest submarine power cable link at 460 miles. In addition, Germany's decision to phase out nuclear power by 2022 will necessitate construction of a renewable energy infrastructure running across the north to the south of the country. Scapa is well positioned with all the cable providers that will participate in these projects.

During the year, we completed our Industrial business unit's first acquisition, Markel Industries, a US manufacturer of adhesive floor mats. Beyond the complementary product range and channel synergy, it provides an opportunity to leverage our operational excellence skills outside our footprint. Our experience in consolidating volume across our facilities is being applied to consolidate Markel production onto Scapa's footprint, generating significant operational synergy. The pressure sensitive materials market is highly fragmented and inefficient and we believe that there are other similar opportunities that we can consider. The pressure sensitive market is also very mature and stagnant. Both customers and competitors have accepted the current situation as sufficient. We believe our challenge is to exceed expectation and deliver beyond what is deemed adequate.

The fatal incident that occurred at the Dunstable site in April 2018 has been deeply felt by the Board and employees throughout the organisation. We strive to deliver the highest standards of health, safety and welfare of our employees and this commitment remains a key priority of the Board.

Our performance in 2017/18

Good performance from both Healthcare and Industrial business units has helped Scapa to deliver record results once again in 2017/18. Group revenue increased 4.3% to £291.5m, or 3.1% on a constant currency basis.

Healthcare revenue increased 3.8% to £112.8m or 4.3% at constant currency. Sales performance was positive in H2 with constant currency growth of 6.8%. EuroMed, in its first full year under Scapa's ownership, performed strongly. We saw good growth in Medical Devices, helped by the US launch of next generation insulin delivery devices. Wound Care's performance reflected the industry's overall slower rate of growth. Consumer products, helped by the launch of a health and beauty product, was positive. The specific customer product issue that impacted revenues in H1 has been resolved and the run rate has returned to its normal level. The pipeline of opportunities, including technology transfers, continues to build. Our challenge is the rate of conversion into revenue. Our revenue stream is dependent on product launches that are at times inconsistent and on our customers' launch strategies and priorities.

Healthcare trading profits increased 4.8% to £17.4m, or 5.5% at constant currency, with margins improving to 15.4% for the year. In H2 we invested in additional resources in anticipation of technology transfers which will require project management and validation of products and assets. The investment will enable us to accelerate the onboarding of the technology transfers which will start during the second half of FY19. Longer term, we see opportunities to improve Healthcare margins further, through both growth and efficiency. We have commenced construction of a new factory in Knoxville, Tennessee. Production is expected to commence towards the end of this calendar year, and will bring significant cost benefits.

In March 2018, we completed the acquisition of BioMed which is Scapa's first acquisition outside the adhesives based value chain, and offers complementary products to our existing Wound Care and Consumer Healthcare products. Scapa's ability to invest in capital and systems will allow BioMed to exploit opportunities that may previously have been challenging for them as a small privately held company.

Industrial revenue increased 4.6% to £178.7m, or 2.4% at constant currency. Cable continued to do well with close to double-digit growth driven by major project initiatives in the US and Europe. Consumer products were up, helped by a strong performance from our Indian business into the growing local DIY market. We saw a decline in Automotive despite a strong performance in Europe and the Rest of the World as we exited low margin North American business. Construction was affected by the poor weather in Q1 of this calendar year, which delayed building in continental Europe and parts of North America.

Industrial trading profits increased by 26.4% to £22.5m, 24.3% growth at constant currency, and trading margins increased to 12.6% from 10.4%. The improvement in profit was driven by; full year benefit from the closure of Rorschach; improvement in cost to serve and efficiencies; and initial benefit from the Asian reorganisation. The margin increase was achieved despite an unfavourable impact from input costs, offsetting some of the benefit seen in the previous year. Markel made a small contribution to profit of £0.1m after incurring £0.5m of restructuring costs following the announcement that we are consolidating the two sites into an existing Scapa site. Industrial margins have further room for improvement, and will be helped by benefits from Markel and the Asian restructuring next year. The target of mid-teens margins in the medium-term continues to look realistic.

Group trading profit increased to £34.5m, a growth of 18.2% or 17.3% at constant exchange rates, and margins increased again to 11.8%. Currency was favourable in H1 resulting in a benefit of approximately £1m, but headwinds in H2 resulted in a small £0.2m reduction for the year. The business continued to generate strong cash flows and managed the Balance Sheet well. At the end of the year net debt was £3.8m, after payment for the two acquisitions and completion of the sale of the Swiss property.

Strategic progress during the year
At the start of the last financial year we identified a series of key goals and priorities for the year.

- **Healthcare - Continue delivering profitable growth organically and through acquisitions; we will continue to strengthen our value chain and deepen our strategic engagement with our global customers, and convert the increased project pipeline to revenue; continue to shift further into turn-key solutions with Scapa's IP and innovation** - Revenue growth in the year was 3.8%, helped by 6.8% constant currency growth in H2; Scapa's value chain expanded into liquids, powders and gels through the acquisition of BioMed, which allows us to expand our offering to customers; engagement with customers enhanced through completion of two technology transfers, in wound care and consumer products; continued progress on project pipeline with 80% of the products with Scapa's technology and know-how.

- **Industrial - Further drive ROCE through optimisation of the asset base; we will continue to focus on efficiency improvement and cost control, and focus on key markets where we can gain market share; we will continue the path to industry average margins** - Savings from the Swiss closure continue to be delivered, and the land and buildings were sold for £13.3m, in excess of the original estimates; Korea factory closed and China footprint reduced, delivering cost savings of £1m pa as we focus on the core business. Certain assets are being moved to other sites where they will be better utilised; acquired Markel, a manufacturer of adhesive floor mats, which is currently integrating into a nearby Scapa site, driving cost benefits; margins increased in the year from 10.4% to 12.6%.

- **Acquisitions - Make further acquisitions to complement the current business or deliver a new strategic platform** - two acquisitions completed in the year, one for each business unit; BioMed adds to the capabilities of Healthcare, broadening our offering beyond adhesives into liquids, powders and gels. This will enable us to address a greater portion of our customers' spend; Markel is the first acquisition for our Industrial business unit and builds on the operational excellence capabilities we have developed; we continue to evaluate larger more strategic opportunities.

- **Financial - Continue to improve the Group's pension and tax positions, and review the Company's banking facilities** - Pension position improved with deficit now at £21.0m. The Company is now in a joint working group with the Trustee as we look to move the UK scheme off the Balance Sheet over the medium-term; the tax rate showed another improvement, though this time helped by a one-off benefit from the change to US tax rates; the banking facility was renewed for five years – £70m with a £30m accordion – on improved terms.

- **Culture – Continue to focus on talent development and succession planning to ensure that we have the right people embedded within our core values to further drive the growth of the business** - We continue to focus on succession planning. 'The Scapa Way' and our Guiding Principles continue to be reinforced throughout the Group; the organisation has been strengthened with the addition of a Group President who has joined Scapa from ITW, and a VP of Global Operations for Healthcare who joined from Integer, a large medical device manufacturer.

2018/19 strategic goals and priorities
In 2018/19 the challenge for the business is to continue to build on the success of recent years, whilst accelerating the pace of progress. The theme of this report is around how Scapa accepts this challenge. This will require considerable changes in the business which I have broken into three areas:

Challenge the Status Quo
In Healthcare, we see an opportunity as our customers re-evaluate what their core competence is, leading to a shift in the market towards outsourcing, and where Scapa is in the best position to capitalise. This will give further opportunities for technology transfers in addition to the more traditional organic growth and acquisitions. Healthcare expanded beyond the adhesives based value chain with the acquisition of BioMed, and will continue to identify other opportunities particularly where we can address other parts of our customers' portfolios and requirements. We will also continue to improve our Healthcare margin towards the stated medium-term target of 20%.

Challenge Sufficiency
Industrial has performed well in recent years with its strategy to improve margins and ROCE, and there is further efficiency to extract through that route. The acquisition of Markel provides an opportunity to deliver operational synergy leveraging our operational excellence capabilities. We will also focus on growth in niche areas where we feel we have a competitive advantage. We believe we can grow by exceeding our customers' expectations through improved market and customer knowledge and a differentiated delivery model. We will continue to improve our Industrial margin towards the 15% target.

Challenge Ourselves
As we continue to grow, we need to invest in the development of our employees. The Scapa Way, based on our Ten Guiding Principles, provides a great foundation. We will focus on the greater engagement of our people using the tools we have developed. We will continue to bring in external talent with aligned entrepreneurial mindsets to push us further in our journey. We will also focus on succession planning, leveraging the internal capabilities that we are developing.

Outlook
We have accomplished many things during the year. We acquired two businesses that are both strategically significant to the Group. We signed two technology transfers that validate our Healthcare strategy. We continue to drive growth and margin improvement across both Healthcare and Industrial and there are considerable opportunities in both businesses. Likewise, we also face challenges that we need to overcome; status quo in Healthcare; sufficiency in Industrial; and ourselves to push forward to achieve our goals. We are confident about the future of the business and accept these challenges.

BUSINESS REVIEW: HEALTHCARE

Scapa Healthcare continues to lead as a trusted strategic outsource partner of choice, providing turn-key solutions into three target markets: Advanced Wound Care, Consumer Wellness and Medical Device.

Through innovation, expertise and alignment of our core values, we support leading healthcare companies through their growth challenges by developing and manufacturing innovative skin friendly solutions. Our deep understanding of our customers and the healthcare markets we serve enabled us to deliver another successful year of profitable growth. We've continued to invest in the business and find innovative solutions to strengthen our position as our customers' preferred outsource partner.

Market trends and overview
Global healthcare organisations and leading consumer brands continue to face pressure to deliver high quality products more efficiently. Traditionally, companies would invest heavily in differentiating technologies and manufacturing infrastructure while attempting to lower their cost of manufacturing. The healthcare environment and market demands for innovation have pressured healthcare organisations to focus more heavily on their core competencies and leverage a strategic outsource partner with scale and unique abilities. Responding to this market shift, Scapa Healthcare is well positioned as a trusted strategic outsource partner.

Globally, healthcare companies remain committed to strengthening their branding, marketing and distribution channels while utilising outsource partners as a more efficient means of innovating and manufacturing their products. Demand for strong outsource partners has grown significantly over the last decade as brand leaders seek to improve their supply chain efficiency, shorten development times and bring differentiating products to market faster. Outsource partners are not only tasked with delivering a complete turn-key product, but also with delivering innovation, design, development and regulatory expertise. Through collaboration, brand owners are able to enhance their competitive position in the marketplace.

The demand from leading brands for innovation to streamline their development process has increased substantially over the last few years. Scapa Healthcare's innovation strategy seeks to build a robust pipeline of research and development programmes, as well as new customer development projects. Through its strategic development and acquisition strategy, Scapa Healthcare has positioned itself for growth as an innovative partner to existing and emerging healthcare companies around the world. In addition to sales of products, Scapa receives a small percentage of its revenue through the sale of development services.

Building on last year's success, the 2016 acquisition of EuroMed continues to deliver strong profitable growth. Leveraging hydrocolloid technology, new product launches have enriched business opportunities with global advanced wound care, ostomy and consumer wellness customers. The development of new formulations met increased market demands for sensitive skin adhesives.

This year, Scapa made two acquisitions; BioMed Laboratories LLC ('BioMed') and Markel Industries ('Markel'). The acquisition of BioMed based in Dallas, Texas, was Scapa Healthcare's first adjacent platform. BioMed, a leading business-to-business developer and manufacturer of topical skin care solutions, expanded Scapa Healthcare's offering beyond adhesive-based solutions. Scapa can now offer customers complementary topical solutions such as tubed hydrogel, wound cleansers and moisturisers to pair with our skin friendly adhesive applications. Whilst Markel is primarily an Industrial acquisition, some sales are to Scapa Healthcare OEM customers.

Ongoing development work to meet market demands for sensitive skin applications led to the introduction of two new low trauma adhesive platforms. Scapa Soft-Pro® Low Trauma Hydrocolloid was introduced in February. The technology, with similar properties and applications as silicone gel, is considered a suitable adhesive alternative and safe for gamma sterilisation. The Scapa Soft-Pro® Silicone Gel range expanded with the introduction of a new ultra-flexible formulation. Both technologies allow us to better meet increased market demands for repositionable, sensitive skin applications safe for use on neonatal to geriatric users. We can now offer a more comprehensive range of adhesives for use in the advanced wound care and device fixation markets.

This year also saw the introduction of a market-ready line of absorbent, non-adherent hydrogel wound contact layers for advanced wounds and burns. Scapa Soft-Pro® Hydrogel Wound Contact Layer offering provides customers with a proven technology in a market-ready dressing. This format allows customers to quickly brand and introduce the product to market.

Strategy and business model

Scapa Healthcare will continue to focus on being a strategic outsource partner of choice for current and future industry leaders in Advanced Wound Care, Consumer Wellness and Medical Device.

Our strategy is to become our customers' de-facto product development and manufacturing arm. We will remain a business-to-business partner that supports customers in design, development and manufacturing of new medical devices and products into the healthcare markets we serve. Our team of dedicated experts and full turn-key capabilities provide finished, packaged and sterile products which enable us to rapidly take a product from concept to market faster than many of our partners can do internally. Our ability to innovate and quickly introduce products allows us to offer partners a sustainable competitive advantage in the marketplace. This establishes long-term partnerships, supported by multi-year contracts that provide visible and secure streams of income for the business.

Our technology transfer strategy further strengthens our partnerships as we seek to acquire technologies or assets from customers to enable them to more efficiently focus on their core business. This strategy secures an exclusive agreement with customers with the intent of revitalising product lines through innovation and operational optimisation. Our strong manufacturing know-how of similar products allows us to efficiently manufacture and simplify their supply chain.

To enhance our plan, we will continue to establish a strong platform for growth with long-term contract renewals and increased strategic engagement with our customers. We actively aim to expand our technology and product portfolio, sales channels, manufacturing capabilities and capacity and quality systems to remain a value-add partner to our customers and increase our share of the customers' total spend. In order to do so, we must focus on the full supply chain and complete product processes from design and raw material selection, through converting and packaging, to sterilisation and logistics. We strive to be our customers' strategic outsource partner of choice.

Delivering high quality products is at the heart of everything we do; it is the foundation of trust with our customers. We have dedicated global healthcare quality teams at each site, and all product development and production processes are subject to rigorous quality control measures.

This year we have made significant investments in capacity and the organisation to deliver on our Healthcare growth strategy and house equipment acquired from technology transfers. In March, we broke ground on a new built-for-purpose medical manufacturing facility in Knoxville, Tennessee. The new facility will integrate the site's three existing buildings into a single site of operation and significantly increase capacity with a 152,000 square foot building. The new facility is set for completion in November 2018 with relocation of equipment commencing thereafter.

In order to deliver in the ever-changing healthcare market, we will continue to expand and strengthen our current capabilities and monitor any gaps in our value chain. We will invest through targeted acquisitions to support our growth strategy and deliver more value.

BUSINESS REVIEW: INDUSTRIAL

The Industrial business unit strategy to improve return on assets while focusing on servicing our customers in our key sectors of Cable, Automotive, Construction and Specialty is working.

Our focused commercial strategy of optimising our product portfolio via direct strategic engagement with global OEMs, and gaining market share with our large global retail partners, continues to gain momentum. We continue to leverage our unique capabilities, strong manufacturing knowledge and trusted brand quality with our distribution partners. In conjunction with our commercial strategy, the self-help measures utilised to optimise our footprint and reshape the cost to serve our customer base, have accelerated margin and improved ROCE.

In addition, the Industrial business unit's first acquisition, Markel Industries, allows us to benefit from the ability to transfer the volumes to our current manufacturing footprint. Our focus in these areas has allowed us to deliver improvements in trading profit and margin, and we see further revenue growth in specific areas against a volatile macro environment.

Market trends and overview
Our Engineered Products business, where we provide bespoke solutions in our key sectors of Cable and Automotive, continues to deliver. Our commercial and technical partnerships with strategic customers allow us to offer tailored adhesive solutions to satisfy unique and specific challenges, increasing our pipeline of future growth opportunities. Our global network of manufacturing, sales and distribution facilities, coupled with the reach of our trusted partners, allows us to cost effectively meet customers' expectations.

Our Cable segment products offer integrated solutions for semi-conductive power transmission needs, deep water submarine cables and protective impermeable coverage for fibre-optic and copper communication lines. We are rapidly expanding our portfolio to include fire-resistant products, to meet the increasing demands in building regulations, off gassing and our pioneering UL listed halogen-free products. Our year-on-year success across all key performance areas is attributed to our strategic collaboration with major European subsea and high-voltage cable manufacturers, and our technical expertise offered in our solutions for unique fibre-optic protection with partners in North America. We expect this to be sustained as further investment takes place in 5G and infrastructure such as wind farms.

The Automotive segment focuses on both internal and external protection of cars. Internal protection includes products for wire harnesses, seat sensors and seat heaters. Externally, we specialise in products that protect the paint and the bumper via our Covergard™ products plus emblem mounting. Our core products are used in protection wraps for shipping and wire harnesses. Growth in the European markets continues, while in North America we continue to improve margins and focus on building our new business pipeline with higher margin products with major suppliers for new platforms. As automotive manufacturers expand vehicle capabilities to include connection to multiple devices; systems for autonomous driving; larger battery banks for electrical driving; and multiple safety features, together with reduction in weight and enhanced environmental considerations, we see increased opportunities for our products. Our global network allows us to provide local presence to meet the 'just-in-time' production demands from the automotive OEMs and their suppliers.

Our Commercial Products business serves the Construction and Specialty markets with application-specific and consumable solutions. Our two brands, Barnier® and Renfrew Pro™ Hockey Tape, are well recognised market leaders in the construction and specialty sectors respectively. Barnier® is a 100-year-old brand in the construction market in France with sizeable market share, which we are expanding beyond tapes to include gloves, wipes and other products. Barnier® continues to be the trusted brand used by construction professionals in France and throughout Europe. Renfrew Pro™ Hockey Tape is the dominant brand with a large market share in the global hockey tape industry. To further drive brand awareness, we continue to increase our online media campaigns and have seen significant results in engagement across all social media platforms with our 'Feel the Game™' campaign. We also continue our journey as the brand of choice with National Hockey League (NHL) teams and players, and are proud to be the only hockey tapes manufacturer to be an Officially Licensed Product of the NHL.

The Construction sector of the business offers our largest product portfolio and continues as the main driver for our Commercial Products business. The extensive range is used by contractors, professionals and do-it-yourself enthusiasts who have access to our products through multiple direct or indirect channels with our trusted retailers and distributors. The seasonal nature of construction with a short demand cycle, which is highly dependent on macro trends, means we continue to focus our efforts on driving revenue in the spring and summer months. Our continued focus on our Polyflex™ brand in Europe and North America means we have seen it grow at near double-digit rates for the eighth consecutive year.

In our Specialty sector, we continue to maximise growth opportunities by enhancing our capability to adapt existing bonding and laminating technologies to new applications for industry leaders across the aerospace, technical packaging, white goods, protection and military markets.

Strategy and business model
Our strategy is to continue improving ROCE through a business model where we continually review our asset base, manufacturing network, cost-to-serve and margin improvement programmes. Our diverse portfolio covering both Engineered Products and Commercial Products within and across the Industrial segments, with our broad technical toolbox of chemistries, materials and global supply access, makes Scapa Industrial a major player in the global pressure sensitive adhesive market. Our development platform allows us to reach across multiple markets and leverages existing products, materials and manufacturing knowledge into the hands of new and existing customers.

2017/18 performance
Once again, the Industrial business unit's performance exceeds trading profit and margin growth expectations. Our continued emphasis on improving our return on capital employed, gross margins, cost controls and footprint consolidation, while engaging with our strategic partner base, has lifted our performance. The business benefitted from the weakening of Sterling, the organic revenue growth of 2.4% being almost entirely due to currency. Revenue at constant currency is flat, after the loss of business which we chose not to continue following the closure of our Korean facilities and sales office consolidation in China. Similar to last year, trading profit is where we made the most impressive increase of 26.4%, and 23.8% organic at constant currency. Margins improved for the eighth year in a row to 12.6% as the business continued to improve its operational efficiency and supply chain.

Outlook
Whilst 2017/18 saw an increase in margins to 12.6%, we remain confident that there is further scope to improve the business through continued execution of the ROCE strategy and driving better asset utilisation. Further margin improvement will come from the full year impact of our acquisition of Markel, plus the full year benefit from the closure of our two locations in Korea and the re-shaping in China, coupled with other opportunities. Our macro environment in some sectors is GDP dependent, but we remain focused on driving towards our goals by continuing to build on current strategic relationships for growth and focusing on our core technologies at our core sites. We are continually building the pipeline of new business with our strategic business partners as we continue to improve engagement with them. We expect to continue to see improvements as we target industry average margins of around 15%. We will do this through relentless focus on improving trading profit via our commercial strategy, along with self-help programmes to improve margins, and review of our manufacturing network while reducing our cost to serve in specific regions.

FINANCE DIRECTOR'S REVIEW

The overall financial performance of the business has been impressive, with good profit and margin improvement and a strong Balance Sheet maintained after the completion of two acquisitions in the year, one within each of Healthcare and Industrial. The dividend has again been increased by 20%, supported by our confidence in the sustainability of this growth, and the continued excellent cash generation.

Revenue and profits
Group revenue increased by 4.3% to £291.5m (2017: £279.6m), 3.1% on a constant currency basis. Healthcare revenue was £112.8m (2017: £108.7m), an increase of 3.8%, or 4.3% on a constant currency basis with the currency gains made in H1 largely eliminated by the impact of the weakening US$ in H2. Constant currency revenue growth in Healthcare in H2 was 6.8%. Industrial revenue was £178.7m (2017: £170.9m), an increase of 4.6% (aided by the translation effect of a strong Euro), or 2.4% on a constant currency basis.

Trading profit for the Group increased by 18.2% to £34.5m (2017: £29.2m) or 17.3% on a constant currency basis. This resulted in a trading profit margin improvement of 140 basis points to 11.8% (2017: 10.4%). Healthcare contributed £17.4m (2017: £16.6m), a growth of 4.8% or 5.5% on a constant currency basis, with margins up slightly at 15.4% (2017: 15.3%). The Industrial trading profit was £22.5m (2017: £17.8m) showing strong growth of 26.4% or 24.3% on a constant currency basis, resulting in a trading margin of 12.6% (2017: 10.4%), a good step towards our medium-term aim of 15% for the Industrial business.

Trading profit is stated before; exceptional items which resulted in a gain of £0.1m in the period (2017: expense of £1.0m); pension administration costs of £0.6m (2017: £0.7m); and amortisation of intangible assets £3.3m (2017: £3.7m). The Board believes that the adjusted presentation assists shareholders in better understanding the underlying performance of the business and is adopted on a consistent basis for each set of half year and full year results.

Profit before tax
The Group operating profit before tax was £28.8m (2017: £21.8m), an improvement of 32.1% within the year.

Currency
Currency translation had an overall beneficial impact on both sales and profit during the 2018 reporting period, boosting both sales and trading profit growth by about 1%. In the second half, there was a currency headwind in the Healthcare business impacting both sales (8%) and profits (5.3%) as Sterling strengthened against the US Dollar. Across the year as a whole, the Group benefitted from the strengthening of the Euro, averaging €1.14 (2017: €1.20).

Exceptional items
Following the closure of the Swiss site in 2016, the land and buildings were sold on 20 July 2017 for an amount of £13.3m, resulting in exceptional income of £6.9m (2017: £0.3m) following all costs associated with the sale.

Exceptional costs of £6.8m (2017: £1.3m) were recorded during the year and the charge was made up of the following items:

- Site closure and associated asset impairment costs of £4.7m for closure of our Korean facility and reduction in our China/Hong Kong footprint. On 23 May 2017, we announced plans to exit the production facility in Korea and transfer the technology, plant and machinery to other sites within the Group
- Exceptional reorganisation costs of £1.1m for a UK based manufacturing facility for employee-related severance costs
- Acquisition costs totalling £0.8m for the successful acquisition of Markel Industries ('Markel') and BioMed Laboratories LLC ('BioMed')
- Abortive acquisition costs of £0.2m were also recorded as an exceptional expense in the year for projects that had progressed as far as external due diligence but did not complete

In order to provide a clearer understanding of the performance of the Group, the above items, both income and expenses, have been separated out from trading results.

Segmental performance
In line with prior year reporting, we continue to manage separately the Group's Healthcare and Industrial activities, and our segmental reporting reflects this. Corporate costs, at £5.4m (2017: £5.2m) which include the costs associated with the Board, governance and listed company costs, are reported separately to Healthcare and Industrial.

Alternative performance measures
We use a number of alternative performance measures to assist in presenting information in this statement in an easily analysable and comprehensible form. We use such measures consistently at the half year and full year and reconcile them as appropriate, and they are used by management in evaluating performance. The measures used in this statement include:

- Constant currency revenue and trading profit: this reflects prior year results translated at the current year's average exchange rate
- Trading profit: this is profit before exceptional items, pension administration costs and amortisation of intangibles and allows the impact of restructuring and reorganisation activities and acquisition costs to be identified separately. These items are excluded as they are seen as significant non-trading items and are treated consistently with prior years
- Net debt: comprises cash and cash equivalents net of current borrowings, obligations under finance leases and unamortised debt issue costs
- Trading margin: this is trading profit divided by sales
- Organic underlying sales: this excludes the impact of acquisitions within the reporting period
- Adjusted Earnings per Share: this is earnings per share using the Trading profit after tax and is reconciled in note 10 of the accounts

Group refinancing and net finance costs
The Group's revolving credit facility was due to expire in June 2018. During the year the Group secured replacement banking facilities from a revised banking syndicate and entered into a new revolving credit facility (RCF) on 31 October 2017.

The previous £60m multi-currency RCF has been increased to a five-year £70m facility with a maturity of October 2022. Features of the replacement facilities include:

- a multi-currency £70m RCF of which £20.8m was drawn at 31 March 2018 providing the Group with a significant committed funding headroom
- a 50bps reduction in non-utilisation fee and a 40bps reduction in margin
- less complexity in key operational covenants
- a £30m uncommitted accordion feature to provide further capacity for potential future acquisitions to support the strategy of the Group

Net finance costs were £1.9m (2017: £2.0m). Net cash interest remained constant at £1.2m (2017: £1.2m). Non-cash interest reduced to £0.7m (2017: £0.8m) and relates to the Group legacy defined benefit pension plans.

Tax rate
The Group's tax charge was £5.3m (2017: £4.2m) and includes a £5.4m charge (2017: £5.6m) on trading activities and a £0.1m credit (2017: £1.4m credit) on exceptional items.

The Group's effective tax rate is a blend of the different national rates from the operating subsidiaries in the various countries in which we operate, applied to locally generated profits. Our tax arrangements are driven by commercial transactions, managed in a responsible manner based on compliance, transparency and co-operation with tax authorities. Tax planning remains conservative with no use of hybrid entities or tax havens.

We report an adjusted effective tax rate to give the best indication of the Group's tax commitments. This tax rate is calculated on trading activities after the deduction of cash interest. The rate in the current year is 16.2% (2017: 20.0%). The passing of the Tax Cuts and Jobs Act in the USA in December 2017 resulted in a £2.4m net one-off gain, as the Group's US deferred tax liabilities were revalued as a result of the reduction in the US Federal corporate income tax rate. Accordingly, the Group's tax rate is significantly lower, at 16.2% (2017: 20.0%). Although the other national rates applied to local profits are generally higher than the UK standard rate, the Group also benefits from unrecognised tax losses in the UK along with sensible and compliant tax planning.

The Group's cash tax payment in the year was £2.8m (2017: £2.8m) or 8.1% of trading profit. Cash tax remains below the effective tax rate in 2018, as the Group was able to use brought forward losses. As the Group continues to increase its profitability, we expect to see from 2019 onwards cash tax payments becoming more in line with the effective tax rate as brought forward losses in certain non-UK jurisdictions are used up.

Acquisition activity
A high level of acquisition activity was maintained throughout the year with a large number of companies evaluated, resulting in the successful completion of two acquisitions.

On 8 August 2017, the Group acquired the US based company, Markel, a manufacturer of multi-layer adhesive footwear cleaning mats, for US$10.2m (£7.6m). This is our Industrial business unit's first acquisition, and the integration of the company into the existing Scapa footprint is progressing well. Reorganisation costs of US$0.7m (£0.5m) were charged against trading profits in the period relating to the consolidation.

On 23 March 2018, the Group also acquired the share capital of BioMed, based in Dallas, Texas, for an initial cash consideration of US$18.6m (£13.3m) with a further cash consideration of up to US$13m payable to the shareholders depending on performance in calendar years 2018 and 2019. BioMed is a leading developer and manufacturer of gels, creams, lotions and liquids for the wound care and consumer wellness markets, and supports the Group's strategy to expand its offering of turn-key solutions for our Healthcare customers beyond the adhesives value chain.

Earnings per share
Adjusted earnings per share improved by 23.0% to 18.2p (2017: 14.8p) and basic earnings per share was 15.4p (2017: 11.6p), an increase of 32.8%.

Cash management
Delivering good cash generation is core to Scapa's strategy – it is always part of the regular monthly routine but there was a particular focus this year due to 31 March falling on Easter Saturday, which we were concerned could affect cash collections. Net debt closed at £3.8m (2017: £16.1m) – a stronger than expected performance, after payment for the acquisitions of Markel and BioMed as outlined above, offset by the receipt from the sale of the Swiss property for £13.3m.

This strong cash generation funded net capital expenditure of £6.4m (2017: £8.3m), net cash interest paid of £1.3m (2017: £1.2m), income tax paid of £2.8m (2017: £2.8m), pension contribution payments of £4.4m (2017: £4.6m) and a dividend payment of £3.0m (2017: £2.6m).

The ratio of net debt to EBITDA was 0.09 times, giving significant headroom against our improved facility covenant of 3 times. The Group continues to operate well within its banking covenants, with significant headroom under each ratio at year end.

Dividends and capital allocation
The Board is recommending a 20.0% (2017: 14.3%) increase in the full year, final dividend of 2.4p (2017: 2.0p). This increased dividend balances both the strong cash performance in the period and our underlying confidence in our business, whilst maintaining Balance Sheet capacity to support the future growth of the Group. Dividend cover, the ratio of adjusted earnings per share to dividend per share, is 7.6 times (2017: 7.4 times). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 17 August 2018 to shareholders on the register on 20 July 2018.

Our objective is to maximise long-term shareholder returns through both organic growth and growth through acquisitions. We continue to adopt a cash allocation policy that allows for continuing investment in capital projects that support growth and health and safety, regular returns to shareholders from our free cash flow, and acquisitions to supplement our existing portfolio of business whilst maintaining an efficient Balance Sheet appropriate to the Company's investment requirements.

Post-retirement benefits
The Group has no open defined benefit schemes and the majority of the post-retirement benefit schemes for employees are defined contribution. The Group's Balance Sheet carries pension deficits that relate to schemes that have been closed for many years, and some very small overseas leaving indemnities that are classed as defined benefit.

The Company has recently set up a joint working group with the UK Pension Scheme Trustee to select joint advisers as we have reached a stage where the Group's goal to move the UK scheme to a full buy-out position is becoming more achievable. We continue to manage the cost and volatility of the legacy pension deficits and we continue to see good take-up of the Flexible Retirement Options (FRO) that are now embedded into the UK scheme.

The triennial valuation date for the UK pension scheme was 31 March 2017. The valuation is nearing completion and we have agreed with the Scheme Trustee that no changes will be required to the contributions arrangement beyond those agreed through the 2012 Central Asset Reserve (CAR) structure, which were £3.9m (2017: £3.9m) in the year.

During the year, the fair value of the UK scheme liabilities fell by £14.0m largely due to changes in demographic assumptions, whilst the fair value of the UK scheme assets also fell by £4.2m as a result of the benefits paid to members net of Company contributions and return on asset investments. This resulted in an overall significant decrease of £9.8m in the IAS 19 scheme deficit to £14.0m (2017: £23.8m).

The scheme's investment strategy includes a portfolio of assets that are matched to the duration of the member liabilities. This strategy hedges the deficit from changes in bond yields that affect the discount rate and is reflected in the asset and liability movements in the current year.

Overseas cash contributions were £0.7m (2017: £0.9m); these contributions relate to leavers and not to a deficit repair schedule of payments. Pension administration expenses of £0.6m (2017: £0.7m) in relation to the pension schemes are reported through operating profit under IAS 19.

The overall Group pension deficit for all schemes totalled £21.0m (2017: £31.4m) at the end of March 2018.

Scapa has other pension projects in the pipeline and will continue to execute projects that provide a good balance of member and Company benefits whilst looking to de-risk the scheme further as we move forward with our joint working group with the UK Pension Scheme Trustee.

Shareholders' funds
Shareholders' funds increased by £18.5m to £118.9m. Profit after tax increased to £23.5m (2017: £17.6m). The pension gain in the period was £6.6m (2017: £6.9m loss). Movements in equity that related to share issues, dividends and options reduced shareholders' funds by £1.1m (2017: £0.7m decrease). Currency movements on overseas asset values were unfavourable in the period at £9.8m (2017: £12.7m favourable). Tax items booked directly into reserves were £0.7m (2017: £Nil).

Brexit
As a global business with over 90% of the Group's activities outside of the UK, Scapa has limited exposure to Brexit. The main impact felt so far has been on the translation of overseas results from the recent unpredictability of Sterling, particularly against the US Dollar. The Group has continued to review the implications of the result of the UK referendum to leave the EU on our business model and whilst Brexit has introduced a level of uncertainty into how our European business will operate in the future, we are experienced in dealing with the challenges associated with trading across borders that do not benefit from the Single Market and are confident we will be able to adapt to any new

requirements during the transition period. Potential increased levels of bureaucracy may incur additional compliance costs but we do not believe that these will be material to the Group.

The Board will continue to assess the implications of the changes as they emerge, in particular relating to customs and duties.

Risk management and the year ahead
Risk is managed closely and is spread across our businesses and managed to individual materiality. We have a Code of Conduct, which is adopted internationally and reflects our ethical approach to business. The Board has considered all of the above factors in its review of going concern and has been able to conclude the review satisfactorily.

Consolidated Income Statement
For the year ended 31 March 2018

All on continuing operations	note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Revenue	2	**291.5**	279.6
Operating profit	2,4	**30.7**	23.8
Trading profit*		**34.5**	29.2
Amortisation of intangible assets		**(3.3)**	(3.7)
Exceptional items	5	**0.1**	(1.0)
Pension administration costs		**(0.6)**	(0.7)
Operating profit		**30.7**	23.8
Net finance costs	7	**(1.9)**	(2.0)
Profit on ordinary activities before tax		**28.8**	21.8
Taxation charge	8	**(5.3)**	(4.2)
Profit for the year		**23.5**	17.6
Weighted average number of shares	9	**153.1**	151.1
Basic earnings per share (p)	9	**15.4**	11.6
Diluted earnings per share (p)	9	**14.8**	11.1
Adjusted earnings per share (p)**	9	**18.2**	14.8

* Profit before tax, before net finance costs, amortisation of intangible assets, exceptional items and pension administration costs.

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

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2018

All on continuing operations	note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year		**23.5**	17.6
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		**(9.8)**	12.7
Actuarial gain/(loss)		**6.6**	(6.9)
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial gain		**(0.7)**	–
Other comprehensive income for the year		**(3.9)**	5.8
Total comprehensive income for the year		**19.6**	23.4

Consolidated Balance Sheet
As at 31 March 2018

	note	31 March 2018 £m	31 March 2017 £m
Assets			
Non-current assets			
Goodwill	12	**67.2**	56.4
Intangible assets	13	**11.0**	6.6
Property, plant and equipment	14	**45.6**	49.3
Deferred tax asset	8	**5.2**	8.0
Other receivables		**0.2**	0.2
		129.2	120.5
Current assets			
Assets classified as held for sale	15	**–**	5.1
Inventory	16	**35.0**	30.7
Trade and other receivables	17	**58.8**	57.2
Current tax asset		**0.2**	1.4
Cash and cash equivalents	18	**18.1**	12.1
		112.1	106.5
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	20	**(1.0)**	(1.2)
Trade and other payables	19	**(57.2)**	(52.0)
Deferred consideration	11	**(2.9)**	(0.1)
Current tax liabilities		**(2.7)**	(1.1)
Provisions	21	**(2.2)**	(1.3)
		(66.0)	(55.7)
Net current assets		**46.1**	50.8
Non-current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	20	**(21.5)**	(27.0)
Trade and other payables	19	**(0.1)**	(0.1)
Deferred consideration	11	**(3.5)**	–
Deferred tax liabilities	8	**(4.5)**	(7.1)
Non-current tax liabilities		**(2.9)**	(2.9)
Retirement benefit obligations		**(21.0)**	(31.4)
Provisions	21	**(2.9)**	(2.4)
		(56.4)	(70.9)
Net assets		**118.9**	100.4
Shareholders' equity			
Ordinary shares		**7.7**	7.6
Share premium		**0.4**	0.4
Retained earnings		**87.4**	59.2
Translation reserve		**23.4**	33.2
Total shareholders' equity		**118.9**	100.4

Consolidated Statement of Changes in Equity
For the year ended 31 March 2018

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2016	7.5	0.4	20.5	49.3	77.7
Employee share option scheme – value of employee services	–	–	–	1.9	1.9
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(2.6)	(2.6)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(0.8)	(0.7)
Currency translation differences	–	–	12.7	–	12.7
Actuarial loss on pension schemes	–	–	–	(6.9)	(6.9)
Net income recognised directly in equity	–	–	12.7	(6.9)	5.8
Profit for the period	–	–	–	17.6	17.6
Total comprehensive income	–	–	12.7	10.7	23.4
Balance at 31 March 2017	7.6	0.4	33.2	59.2	100.4
Employee share option scheme – value of employee services	–	–	–	1.9	1.9
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(3.0)	(3.0)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(1.2)	(1.1)
Currency translation differences	–	–	(9.8)	–	(9.8)
Actuarial gain on pension schemes	–	–	–	6.6	6.6
Deferred tax on actuarial gain	–	–	–	(0.7)	(0.7)
Net income recognised directly in equity	–	–	(9.8)	5.9	(3.9)
Profit for the period	–	–	–	23.5	23.5
Total comprehensive income	–	–	(9.8)	29.4	19.6
Balance at 31 March 2018	**7.7**	**0.4**	**23.4**	**87.4**	**118.9**

Consolidated Cash Flow Statement
For the year ended 31 March 2018

All on continuing operations	note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Cash flows from operating activities			
Net cash flow from operations	22	**31.1**	29.1
Cash generated from operations before exceptional items	22	**34.7**	32.7
Cash outflows from exceptional items	22	**(3.6)**	(3.6)
Net cash flow from operations		**31.1**	29.1
Net interest paid		**(1.3)**	(1.2)
Income tax paid		**(2.8)**	(2.8)
Net cash generated from operating activities		**27.0**	25.1
Cash flows used in investing activities			
Acquisition of subsidiary, net of cash acquired	11	**(20.5)**	(27.7)
Purchase of property, plant and equipment		**(6.4)**	(8.3)
Purchase of capitalised development costs		**(0.2)**	(0.1)
Proceeds from disposal of available-for-sale assets*		**13.3**	–
Net cash used in investing activities		**(13.8)**	(36.1)
Cash flows (used in)/generated from financing activities			
Dividends		**(3.0)**	(2.6)
Increase in borrowings		**34.8**	33.4
Repayment of borrowings		**(38.1)**	(27.5)
Net cash (used in)/generated from financing activities		**(6.3)**	3.3
Net increase/(decrease) in cash and cash equivalents		**6.9**	(7.7)
Cash and cash equivalents at beginning of the year		**12.1**	18.7
Exchange (losses)/gains on cash and cash equivalents		**(0.9)**	1.1
Total cash and cash equivalents at end of the year	18	**18.1**	12.1

* Gain on disposal treated as exceptional income.

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 2018. 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 2018.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 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 2018. 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 operates two standalone business units: Healthcare and Industrial, supported by a strategic Corporate function. All inter-segment transactions are made on an arm's length basis.

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

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

Segment results

The segment results for the year ended 31 March 2018 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	**112.8**	**178.7**	**–**	**291.5**
Trading profit/(loss)	**17.4**	**22.5**	**(5.4)**	**34.5**
Amortisation of intangible assets	**(2.9)**	**(0.4)**	**–**	**(3.3)**
Exceptional items	**(1.5)**	**1.8**	**(0.2)**	**0.1**
Pension administration costs	**–**	**–**	**(0.6)**	**(0.6)**
Operating profit/(loss)	**13.0**	**23.9**	**(6.2)**	**30.7**
Net finance costs				**(1.9)**
Profit on ordinary activities before tax				**28.8**
Tax charge				**(5.3)**
Profit for the year				**23.5**

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

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2018	111.2	141.8	20.4	18.1	**291.5**
External revenue – 31 March 2017	109.1	139.4	14.1	17.0	279.6

The revenue analysis based on the location of the selling company is as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2018	110.5	162.7	15.8	2.5	**291.5**
External revenue – 31 March 2017	114.3	148.8	14.4	2.1	279.6

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

The segment results for the year ended 31 March 2017 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	108.7	170.9	–	279.6
Trading profit/(loss)	16.6	17.8	(5.2)	29.2
Amortisation of intangible assets	(3.7)	–	–	(3.7)
Exceptional items	(0.6)	(0.7)	0.3	(1.0)
Pension administration costs	–	–	(0.7)	(0.7)
Operating profit/(loss)	12.3	17.1	(5.6)	23.8
Net finance costs				(2.0)
Profit on ordinary activities before tax				21.8
Tax charge				(4.2)
Profit for the year				17.6

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

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	108.7	170.9	–	279.6
Foreign exchange	(0.6)	3.6	–	3.0
Underlying external revenue	108.1	174.5	–	282.6
Trading profit/(loss)	16.6	17.8	(5.2)	29.2
Foreign exchange	(0.1)	0.3	–	0.2
Underlying trading profit/(loss)	16.5	18.1	(5.2)	29.4

3. Segment assets and liabilities

The Board does not review assets and liabilities by business unit but by geographical area as reporting entity balance sheets cannot be split accurately by business unit. The assets and liabilities at 31 March 2018 and capital expenditure for the year then ended can be analysed into geographical segments as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	**30.8**	**91.5**	**1.2**	**0.5**	**124.0**
Inventory	**14.9**	**17.9**	**2.2**	**–**	**35.0**
Trade receivables – net	**23.5**	**27.0**	**1.8**	**–**	**52.3**
Trade payables	**(23.3)**	**(14.6)**	**(0.7)**	**(1.2)**	**(39.8)**
Cash	**6.6**	**8.6**	**2.9**	**–**	**18.1**
Additions of property, plant and equipment	**3.1**	**3.0**	**0.2**	**0.1**	**6.4**

* Non-current assets excluding deferred tax assets

The assets and liabilities at 31 March 2017 and capital expenditure for the year then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	30.8	77.0	4.1	0.6	112.5
Inventory	12.3	15.8	2.6	–	30.7
Trade receivables – net	25.6	24.6	1.7	–	51.9
Trade payables	(19.9)	(10.8)	(1.0)	(0.6)	(32.3)
Cash	4.2	4.9	2.3	0.7	12.1
Additions of property, plant and equipment	4.6	3.3	0.2	0.2	8.3

* Non-current assets excluding deferred tax assets

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

4. Operating profit

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

	2018 £m	2017 £m
Revenue	**291.5**	279.6
Materials and overheads	**(143.7)**	(134.7)
Factory costs	**(23.2)**	(22.7)
Outward freight costs	**(7.4)**	(7.1)
Directors' and employees' costs	**(67.5)**	(71.0)
Depreciation of tangible fixed assets;		
– owned assets	**(6.2)**	(6.1)
– leased assets	**(0.1)**	(0.1)
Operating lease rentals;		
– land and buildings	**(2.8)**	(2.6)
– plant, machinery and other	**(1.0)**	(1.4)
Repairs and maintenance costs	**(3.7)**	(3.1)
Amortisation of government grants received	**0.1**	–
Research and development costs	**(3.7)**	(3.7)
Foreign exchange (losses)/gains	**(0.6)**	1.1
Amortisation of other intangible assets	**(3.1)**	(3.3)
Amortisation of internally generated assets	**(0.2)**	(0.4)
Movement in inventory provision	**(0.8)**	(0.1)
Impairment loss recognised in trade receivables	**(0.2)**	(0.5)
Exceptional items	**0.1**	(1.0)
Pension administration costs	**(0.6)**	(0.7)

The analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Audit fees – Parent Company	**117**	99
Audit fees – subsidiary undertakings	**246**	245
Taxation compliance services	**17**	29
Taxation advisory services	**4**	5
Other audit related assurance services	**10**	1
Corporate finance services	**217**	193
Other non-audit services	**5**	–
	616	572

Total audit fees were £363,000 (2017: £344,000). Total non-audit fees payable to the auditor were £253,000 (2017: £228,000).

5. Exceptional items

	2018 £m	2017 £m
Operating income:		
Swiss land and building sale	**6.9**	–
Past service credit	**–**	0.3
Operating expenses:		
Site closure costs	**(2.9)**	(0.5)
Asset write offs and accelerated depreciation	**(1.8)**	(0.2)
Reorganisation costs	**(1.1)**	–
Abortive acquisition costs	**(0.2)**	–
Acquisition costs	**(0.8)**	(0.6)
	0.1	(1.0)

Exceptional operating income

Following the closure of the Rorschach site in Switzerland in 2016, the land and buildings were sold on 20 July 2017 for an amount of £13.3m. The asset was reported as an asset held for sale in the prior year with a net book value of £5.1m and sale associated costs amounted to £1.3m, resulting in an exceptional gain for this disposal of £6.9m.

The prior year £0.3m exceptional operating income relates to a past service credit on the UK scheme following a pension increase exchange exercise carried out during the year.

Exceptional operating expenses

On 23 May 2017 the Group announced its intention to exit production in Korea and transfer the technology and plant & machinery to other existing sites within the Group. As a result, the Group has booked exceptional expenses of £2.9m relating to the costs of the closure and associated transfer costs, plus an additional £1.8m for the impairment of assets that will not be transferred as part of the closure.

A reorganisation of a UK-based manufacturing facility has resulted in an exceptional reorganisation cost of £1.1m in the year for employee-related severance costs.

On 8 August 2017 the Group acquired Markel Industries and on 23 March 2018 the Group acquired BioMed Laboratories LLC (see note 11), this resulted in £0.8m of exceptional acquisition costs. A further £0.2m of abortive costs have also been charged in the year relating to a potential acquisition that did not progress to completion.

The prior year expenses relate to the closure of the Rorschach site in Switzerland which was announced in April 2015 and subsequently provided for in the 2016 accounts. Costs incurred related to retention payments made to certain key members of staff of £0.5m and impairment of assets that continued to be used up until cessation of production at the site of £0.2m. There were also acquisition costs directly related to the acquisition of EuroMed.

6. Employee benefit expense

	2018 £m	2017 £m
Wages, salaries and other benefits	**54.3**	58.0
Social security costs	**8.7**	8.7
Share options granted to Directors and employees	**1.9**	1.9
Pension costs – defined contribution plans	**2.2**	2.0
Pension costs – defined benefit plans	**0.2**	0.4
	67.3	71.0
Pension curtailments and service costs (note 5)	**–**	(0.3)
	67.3	70.7

Average employee numbers	2018	2017
Europe	**607**	656
North America	**635**	617
Asia	**66**	91
	1,308	1,364

7. Net finance costs

	2018 £m	2017 £m
Interest payable on bank loans and overdrafts	**(1.2)**	(1.2)
Interest income on pension scheme assets less interest on scheme liabilities	**(0.7)**	(0.8)
Net finance costs	**(1.9)**	(2.0)

8. Taxation

Income tax charge

	2018 £m	2017 £m
Current tax:		
Tax on trading activities – current year	**(4.5)**	(4.2)
Tax on trading activities – prior year	**(0.1)**	0.3
Tax on non-trading items	**(1.0)**	–
Total current tax	**(5.6)**	(3.9)
Deferred tax:		
Tax on trading activities – current year	**(0.7)**	(1.2)
Tax on trading activities – prior year	**(0.1)**	(0.5)
Tax on non-trading items	**1.1**	1.4
Total deferred tax	**0.3**	(0.3)
Tax charge on trading activities for the year	**(5.4)**	(5.6)
Tax credit on non-trading items for the year	**0.1**	1.4
Tax charge for the year	**(5.3)**	(4.2)

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

	2018 £m	2017 £m
Profit on ordinary activities before tax	**28.8**	21.8
Tax charge at 19.0% (2017: 20%)	**(5.5)**	(4.4)
Movements to unprovided deferred tax	**0.3**	2.8
Income not taxable and other deductions	**0.2**	0.3
Items not deductible for tax purposes and other taxable items	**(0.3)**	(1.2)
Change in tax rate	**2.2**	–
Effect of overseas tax rates being higher than UK tax rate	**(2.0)**	(1.5)
Adjustments in respect of prior years	**(0.2)**	(0.2)
Actual tax charge for the year	**(5.3)**	(4.2)

Finance Act 2016, which was subsequently enacted on 15 September 2016, includes provisions to reduce the corporation tax rates to 19.0% with effect from 1 April 2017 and 18.0% with effect from 1 April 2020.

In addition, Finance Bill 2017 was substantively enacted on 6 September 2017 which introduced a further reduction in the main rate of corporation tax from 18.0% to 17.0% from 1 April 2020. There is no expiry date on timing difference, unused tax losses or tax credits.

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

	2018 £m	2017 £m
Deferred tax assets:		
– Losses	**0.8**	1.9
– Provisions and other temporary differences	**2.4**	3.8
– Retirement benefit liabilities	**3.3**	4.3
	6.5	10.0
Deferred tax liabilities:		
– Accelerated tax depreciation	**(2.2)**	(3.0)
– Other temporary differences	**(0.3)**	(0.4)
– Tax effect of goodwill and intangibles	**(3.3)**	(5.7)
	(5.8)	(9.1)

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:

	2018 £m	2017 £m
Deferred tax assets as above	**6.5**	10.0
– Deferred tax liabilities in same jurisdiction	**(1.3)**	(2.0)
Deferred tax asset on the Balance Sheet	**5.2**	8.0
Deferred tax liabilities as above	**(5.8)**	(9.1)
– Deferred tax assets in same jurisdiction	**1.3**	2.0
Deferred tax liability on the Balance Sheet	**(4.5)**	(7.1)

Deferred tax is only recognised to the extent that it will be recoverable in future periods.

Movement in deferred tax	2018 £m	2017 £m
Beginning of the year	**0.9**	1.2
Exchange differences	**0.2**	–
Income Statement charge	**0.3**	(0.3)
Deferred tax on actuarial gain	**(0.7)**	–
End of year	**0.7**	0.9

At the Balance Sheet date the Group has unused tax losses of £28.4m (2017: £30.5m) available for offset against future profits. A deferred tax asset has been recognised in respect of £3.5m (2017: £7.9m) of such losses, based on management forecasts of future taxable profits against which the assets can be recovered in the relevant jurisdictions. No deferred tax asset has been recognised in respect of the remaining £24.9m (2017: £22.5m) of such losses where there remains uncertainty over the timing of utilisation relating to future profitability. The majority of losses may be carried forward indefinitely.

Tax assets amounting to £10.0m (2017: £11.7m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in each jurisdiction.

Deferred tax items have not been recognised in respect of the following items	2018 £m	2017 £m
Accelerated capital allowances	**3.3**	3.2
Temporary differences	**0.8**	1.1
Pensions	**1.0**	2.9
Tax losses	**4.9**	4.5
Total	**10.0**	11.7

9. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 158,305,608 (2017: 157,873,262). Diluted earnings per share has been calculated including share options in existence at 31 March 2018.

Adjusted

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

	2018	2017
Profit attributable to equity holders of the Company (£m)	**23.5**	17.6
Weighted average number of ordinary shares in issue (m)	**153.1**	151.1
Basic earnings per share (p)	**15.4**	11.6
Weighted average number of shares in issue, including potentially dilutive shares (m)	**158.3**	157.9
Diluted earnings per share (p)	**14.8**	11.1
Adjusted earnings per share (p)	**18.2**	14.8

10. Dividend per share

A final dividend of 2.4p per share is proposed for the year ended 31 March 2018 (2017: 2.0p). The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements. The total estimated dividend to be paid is £3.7m. No interim dividend was proposed.

11. Acquisition of subsidiary

On 8 August 2017 the Group acquired 100% of the share capital of Markel Industries. Markel is a leading North American manufacturer of adhesive floor mats and tacky rollers for use in medical clean rooms, electronic and industrial assembly areas, construction site and sports venues. The Company is based in Portland, Maine and Manchester, Connecticut. The Directors believe that the acquisition of Markel brings multiple advantages to Scapa, including:

- Markel's largely North American customer base has a similar profile to Scapa's, offering cross-selling opportunities
- Markel's high quality core clean room contamination prevention products will enhance Scapa's current products offerings in Europe
- Meaningful overlap in supply chain and manufacturing technology as well as proximity of Markel's manufacturing sites to Scapa offer an opportunity for efficiencies
- The acquisition is expected to be earnings enhancing in the first full year in the enlarged Group.

On 23 March 2018 the Group acquired 100% of the share capital of BioMed Laboratories LLC. BioMed is a leading developer and manufacturer of gels, creams, lotions and liquids for the wound care and consumer wellness markets. The Company is based in Dallas, Texas.

The Directors believe that the acquisition of BioMed will give the following benefits to Scapa, including:

- Allows Scapa Healthcare to better serve the ancillary accessories market for advanced wound care and ostomy segments
- Expands our turn-key value proposition in consumer wellness, including OTC and Health & Beauty
- Offers the opportunity to leverage Scapa Healthcare's global infrastructure to further drive BioMed's growth
- The acquisition is expected to be earnings enhancing in the first full year in the enlarged Group

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Markel Industries £m	BioMed Laboratories £m	Fair Value £m
Net assets acquired			
Separately identifiable intangible assets	2.1	5.9	8.0
Property, plant and machinery	0.1	0.8	0.9
Debtors and other assets	0.5	0.6	1.1
Inventory	0.5	1.2	1.7
Cash and cash equivalents	0.3	0.1	0.4
Trade and other payables	(0.3)	(0.8)	(1.1)
	3.2	7.8	11.0
Goodwill	4.4	11.9	16.3
Total consideration	7.6	19.7	**27.3**
Satisfied by cash	7.6	13.3	20.9
Satisfied by deferred consideration	–	6.4	6.4

Net cash outflow arising on acquisition:			
Cash consideration	7.6	13.3	20.9
Less: cash and cash equivalent balance acquired	(0.3)	(0.1)	(0.4)
	7.3	13.2	**20.5**

In addition to the above, the former owners of the BioMed business have the opportunity to earn an additional US$13.0m (£9.3m) consideration based on the future performance of BioMed. At acquisition the fair value was considered to be £6.4m (£2.9m due in 2019 and £3.5m due in 2020). The potential undiscounted future payments that the Group could be required to pay based on the performance of the business are £5.8m in 2019, and £3.5m in 2020.

The goodwill and intangibles of £24.3m arising from the acquisitions are expected to be deductible for income tax purposes in the US. Acquisition-related costs (included within exceptionals) amount to £0.8m.

Markel Industries contributed £3.9m of revenue and £0.1m to Group profit between the date of acquisition and 31 March 2018. BioMed Laboratories contributed £0.1m of revenue and £Nil to Group profit between the date of acquisition and 31 March 2018. If the acquisition of Markel Industries and BioMed Laboratories had been completed on the first day of the financial year, Group revenues for the period would have been £303.8m and the Group profit before tax would have been £27.8m.

12. Goodwill

	2018 £m	2017 £m
Cost		
1 April	**82.9**	57.7
Additions	**16.3**	16.8
Exchange differences	**(8.3)**	8.4
31 March	**90.9**	82.9
Accumulated amortisation and impairment		
1 April	**(26.5)**	(23.0)
Exchange differences	**2.8**	(3.5)
31 March	**(23.7)**	(26.5)
Net book value at 31 March	**67.2**	56.4

Goodwill relates to the Acutek Medical operation £13.8m (2017: £15.4m), Webtec £15.0m (2017: £16.8m), First Water Limited £6.7m (2017: £6.7m), EuroMed £15.6m (2017: £17.5m), Markel Industries £4.2m and BioMed Laboratories £11.9m.

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2018. The recoverable amount has been determined on a value in use basis on each cash-generating unit using the management approved 12-month forecasts for each cash-generating unit. The base 12-month projection is inflated by 3.0% – 10.0% up to year 5, which management believes does not exceed the long-term average growth rate for the industry, and then is subject to a 1% growth and costs inflation through to year 20, with a terminal value calculated on a perpetuity basis.

These cash flows are discounted at a pre-tax discount rate of 10.0% (2017: 10.0%) and adjusted for specific risk factors that take into account the sensitivities of the projection. The Group WACC is assessed as being suitable for each cash-generating unit as these are based within the UK and USA, where returns are similar. The Group has conducted a sensitivity analysis on the impairment test. If the assumed growth rate was reduced to 0%, the recoverable amount of all cash-generating units individually would remain greater than their carrying values. An increase in the pre-tax discount rate to 14.0% would result in positive headroom remaining, compared to the carrying value of goodwill for each cash-generating unit.

13. Other intangible assets

	Patents and development costs £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 2016	1.4	5.1	2.5	0.9	9.9
Exchange differences	0.1	0.7	0.4	0.1	1.3
Additions	0.1	–	–	–	0.1
Acquisition of subsidiary	3.1	3.1	–	0.3	6.5
31 March 2017 and 1 April 2017	**4.7**	**8.9**	**2.9**	**1.3**	**17.8**
Exchange differences	(0.4)	(0.4)	–	–	(0.8)
Additions	0.2	–	–	–	0.2
Acquisition of subsidiary	0.2	7.8	–	–	8.0
31 March 2018	**4.7**	**16.3**	**2.9**	**1.3**	**25.2**
Amortisation					
1 April 2016	(0.3)	(3.8)	(1.9)	(0.5)	(6.5)
Exchange differences	–	(0.6)	(0.3)	(0.1)	(1.0)
Charge for the year	(1.0)	(1.8)	(0.6)	(0.3)	(3.7)
31 March 2017 and 1 April 2017	**(1.3)**	**(6.2)**	**(2.8)**	**(0.9)**	**(11.2)**
Exchange differences	0.1	0.2	–	–	0.3
Charge for the year	(1.2)	(1.9)	–	(0.2)	(3.3)
31 March 2018	**(2.4)**	**(7.9)**	**(2.8)**	**(1.1)**	**(14.2)**
Carrying amount					
31 March 2018	**2.3**	**8.4**	**0.1**	**0.2**	**11.0**
31 March 2017	3.4	2.7	0.1	0.4	6.6
Remaining useful economic life (years)	1-3	1-3	–	1-3	

The brought forward intangible assets relate to the acquisition of EuroMed Inc in 2016, First Water Limited in 2015 and Webtec in 2011. No value has been assigned to brand names, as Scapa companies are contract manufacturers and inherent brand value resides with customers rather than the manufacturer.

14. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 2016	21.7	8.0	97.1	4.2	18.6	1.8	151.4
Exchange differences	3.0	0.2	9.6	0.4	0.8	0.1	14.1
Additions	0.5	0.6	4.5	0.6	0.3	1.8	8.3
Acquisition of subsidiary	–	–	1.6	–	0.2	0.1	1.9
Transfer to assets held for sale	(10.8)	–	–	–	–	–	(10.8)
Disposals	–	(0.1)	(0.4)	(0.2)	(0.1)	–	(0.8)
Transfers	0.4	–	1.8	–	–	(2.2)	–
31 March 2017 and 1 April 2017	14.8	8.7	114.2	5.0	19.8	1.6	164.1
Exchange differences	(0.7)	(0.2)	(5.0)	(0.2)	(0.6)	(0.1)	(6.8)
Additions	0.3	0.3	2.4	0.5	0.2	2.7	6.4
Acquisition of subsidiary	–	–	0.7	0.2	–	–	0.9
Disposals	–	–	(22.3)	(1.6)	(0.6)	–	(24.5)
Transfers	0.6	–	1.0	0.1	0.2	(1.9)	–
31 March 2018	**15.0**	**8.8**	**91.0**	**4.0**	**19.0**	**2.3**	**140.1**
Accumulated depreciation							
1 April 2016	(9.2)	(4.5)	(70.6)	(3.4)	(17.6)	–	(105.3)
Exchange differences	(1.3)	(0.1)	(6.9)	(0.4)	(0.7)	–	(9.4)
Depreciation	(0.8)	(0.2)	(4.5)	(0.2)	(0.5)	–	(6.2)
Transfer to assets held for sale	5.7	–	–	–	–	–	5.7
Impairment	–	–	(0.4)	–	–	–	(0.4)
Disposals	–	0.1	0.4	0.2	0.1	–	0.8
31 March 2017 and 1 April 2017	(5.6)	(4.7)	(82.0)	(3.8)	(18.7)	–	(114.8)
Exchange differences	0.3	0.1	3.6	0.2	0.5	–	4.7
Depreciation	(0.7)	(0.3)	(4.5)	(0.3)	(0.5)	–	(6.3)
Impairment	–	–	(1.8)	–	–	–	(1.8)
Disposals	–	–	21.5	1.6	0.6	–	23.7
31 March 2018	**(6.0)**	**(4.9)**	**(63.2)**	**(2.3)**	**(18.1)**	**–**	**(94.5)**
Carrying amount							
31 March 2018	**9.0**	**3.9**	**27.8**	**1.7**	**0.9**	**2.3**	**45.6**
31 March 2017	9.2	4.0	32.2	1.2	1.1	1.6	49.3

The Group has not revalued any item of property, plant and equipment. Impairment of property, plant and equipment of £1.8m (2017: £0.4m) relates to the closure of Korea; prior year relates to the closure of the Rorschach site in Switzerland.

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

	2018 £m	2017 £m
Cost	**0.6**	0.6
Accumulated depreciation	**(0.5)**	(0.4)
Net book amount	**0.1**	0.2

During the year ended March 2018 there were no events or changes in circumstance that would indicate the carrying value of property, plant and equipment may not be recoverable.

15. Assets classified as held for sale

Assets classified as held for sale	2018 £m	2017 £m
Rorschach land and buildings cost	–	10.8
Rorschach buildings depreciation	–	(5.7)
Carrying value at 31 March	–	5.1

The Rorschach land and buildings were held as an asset held for sale in the prior year. During the year the land and buildings were sold and the profit on disposal was £6.9m.

16. Inventory

	2018 £m	2017 £m
Raw materials	**14.0**	11.6
Work in progress	**8.3**	7.7
Finished goods	**12.7**	11.4
	35.0	30.7

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £143.7m (2017: £134.7m).

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

17. Trade and other receivables

	2018 £m	2017 £m
Amounts due within one year:		
Trade receivables	**54.5**	54.7
Less: provisions for impairment	**(2.2)**	(2.8)
Trade receivables – net	**52.3**	51.9
Other debtors	**2.0**	1.9
Prepayments and accrued income	**4.5**	3.4
Total amounts due within one year	**58.8**	57.2

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

	2018 £m	2017 £m
Pounds Sterling	**6.2**	6.2
US Dollars	**28.3**	25.7
Euros	**19.8**	19.1
Other	**4.5**	6.2
	58.8	57.2

At the year end, the following trade receivables balances were overdue but not impaired:

	208 £m	2017 £m
Less than 1 month	**1.2**	–

Overdue analysis includes impact of foreign exchange movements. Historically customer default is low. The credit quality of the year end receivables balance is considered high. The Group does not use credit insurance to cover any instance of default as the risk is considered to be low.

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

	2018 £m	2017 £m
Opening provision at 1 April 2017	**2.8**	2.3
Exchange differences	**(0.1)**	0.2
Provisions on acquisition	**0.1**	–
Charge for the year	**0.2**	0.5
Receivables written off in the year	**(0.8)**	(0.2)
Closing provision at 31 March 2018	**2.2**	2.8

Included in the impairment provision are individually impaired trade receivables with a gross balance of £2.2m (2017: £2.8m). 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:

	2018 £m	2017 £m
Less than 1 month	**1.5**	–
Between 1 and 3 months	**0.6**	–
Greater than 3 months	**0.1**	2.8

18. Cash and cash equivalents

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

	2018 £m	2017 £m
Cash and cash equivalents	**18.1**	12.1

19. Trade and other payables

	2018 £m	2017 £m
Trade payables and trade accruals	**39.8**	32.3
Other taxes and social security	**4.9**	6.4
Other creditors	**12.5**	13.3
	57.2	52.0
Amounts due after more than one year:		
Other creditors	**0.1**	0.1

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

	2018 £m	2017 £m
Amounts due within one year:		
Pounds Sterling	**15.5**	12.8
US Dollars	**19.0**	16.3
Euros	**19.7**	18.3
Other	**3.0**	4.6
	57.2	52.0

	2018 £m	2017 £m
Amounts due after more than one year:		
Pounds Sterling	**0.1**	–
Euros	**–**	0.1
	0.1	0.1

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 87 days (2017: 75 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

	2018 £m	2017 £m
Amounts due within one year:		
Finance leases	**0.1**	0.1
Other loans	**0.9**	1.1
	1.0	1.2
Amounts due after more than one year:		
Bank loan	**21.4**	26.9
Finance leases	**0.1**	0.1
	21.5	27.0
Total borrowings	**22.5**	28.2

The Group's revolving credit facility was due to expire in June 2018. During the year the Group secured replacement banking facilities from a revised banking syndicate and entered into a new revolving credit facility (RCF) on 31 October 2017. The principal features of the facility are:

- the initial committed value of the facility is £70m
- there is access to an accordion of £30m
- it is unsecured
- it is repayable in October 2022
- 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 1.1%
- 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 3.0.

The carrying value of borrowings is approximate to their fair value. The effective interest rates at the Balance Sheet date were as follows:

	%
31 March 2018 – Bank loans and overdrafts	**3.1%**
31 March 2017 – Bank loans and overdrafts	2.4%

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

	2018 £m	2017 £m
Pounds Sterling	**–**	4.0
US Dollars	**22.5**	24.2
	22.5	28.2

Movements in forward currency contracts used to hedge against the exposure to exchange differences due to the timing of cash flows are taken through the Income Statement as it is not Group policy to hedge account for these instruments. At 31 March 2018 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2017: £Nil).

The Group has the following undrawn borrowing facilities:

	2018 £m	2017 £m
Bank loan (committed)	**48.6**	32.9
Overdrafts	**–**	1.0

21. Provisions

	Reorganisation and leasehold commitments	Environmental £m	Total £m
At 1 April 2017	3.3	0.4	3.7
Additions in the year	5.3	–	5.3
Utilised in the year	(3.7)	(0.2)	(3.9)
At 31 March 2018	**4.9**	**0.2**	**5.1**
Analysis of provisions:			
Current	2.1	0.1	2.2
Non-current	2.8	0.1	2.9
At 31 March 2018	**4.9**	**0.2**	**5.1**

	Reorganisation and leasehold commitments	Environmental £m	Total £m
At 1 April 2016	5.0	0.4	5.4
Exchange differences	0.2	–	0.2
Additions in the year	1.1	0.2	1.3
Release in the year	(0.4)	(0.1)	(0.5)
Utilised in the year	(2.6)	(0.1)	(2.7)
At 31 March 2017	**3.3**	**0.4**	**3.7**
Analysis of provisions:			
Current	1.0	0.3	1.3
Non-current	2.3	0.1	2.4
At 31 March 2017	**3.3**	**0.4**	**3.7**

– Reorganisation and leasehold commitments

The £4.9m (2017: £3.3m) reorganisation and leasehold commitments provision relates to dilapidations for leasehold property of £2.8m (2017: £2.5m), £0.1m (2017: £0.1m) in relation to reorganisation costs, £1.0m relating to the Korea site closure, £0.6m relating to the sale of the Swiss land and buildings and £0.3m relating to a legal provision in Germany. The expected utilisation of these provisions range between 1 and 5 years. The £0.7m provision relating to the closure of the Rorschach site in the prior year was fully utilised during the year.

– Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in Europe of £0.2m (2017: £0.4m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next three years.

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

All on continuing operations	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Operating profit	**30.7**	23.8
Adjustments for:		
Depreciation and amortisation	**9.6**	9.9
Profit on disposal of land and buildings	**(6.9)**	–
Exceptional pension settlement	**–**	(0.3)
Impairment of tangible fixed assets	**1.8**	0.4
Pensions payments in excess of charge	**(4.4)**	(4.3)
Share options charge	**1.9**	1.9
Grant income released	**(0.1)**	–
Changes in working capital:		
Inventories	**(4.5)**	1.3
Trade debtors	**(2.0)**	(1.6)
Trade creditors	**8.0**	(1.4)
Changes in trading working capital	**1.5**	(1.7)
Other debtors	**(2.0)**	(0.7)
Other creditors	**(2.3)**	2.1
Deferred consideration	**(0.1)**	(0.1)
Net movement in environmental provisions	**(0.2)**	–
Net movement in reorganisation provisions and leasehold commitments	**0.4**	(0.2)
Net movement in other provisions	**1.2**	(1.7)
Cash generated from operations	**31.1**	29.1

Cash generated from operations before exceptional items	**34.7**	32.7
Cash outflows from exceptional items	**(3.6)**	(3.6)
Cash generated from operations	**31.1**	29.1

Analysis of cash and cash equivalents and borrowings

	At 1 April 2017 £m	Cash flow £m	Exchange movement £m	Non-cash movement £m	At 31 March 2018 £m
Cash and cash equivalents	12.1	6.9	(0.9)	–	**18.1**
Borrowings within one year	(1.2)	0.1	0.1	–	**(1.0)**
Borrowings after more than one year	(27.0)	3.2	2.3	0.6	**(20.9)**
Total borrowings	(28.2)	3.3	2.4	0.6	**(21.9)**
Total	(16.1)	10.2	1.5	0.6	**(3.8)**