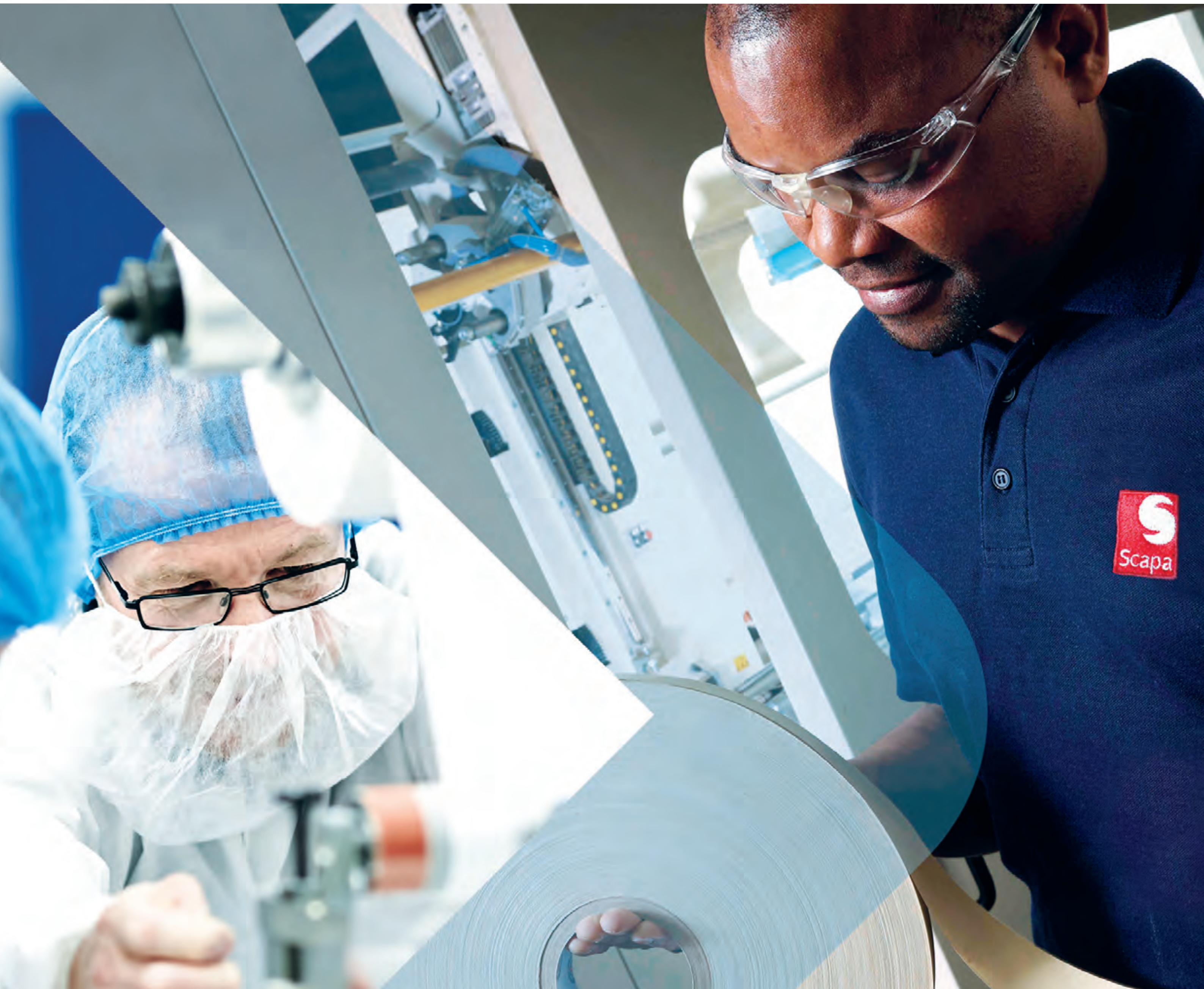
SCAPA GROUP PLC ANNUAL REPORT AND ACCOUNTS 2017

FULFILLING POTENTIAL



SCAPA GROUP IS A GLOBAL SUPPLIER OF BONDING SOLUTIONS AND MANUFACTURER OF ADHESIVE-BASED PRODUCTS FOR THE HEALTHCARE AND INDUSTRIAL MARKETS.

At Scapa, we base our approach on a deep understanding of our core markets. This understanding allows us to anticipate tomorrow's customer needs and to enable our customers to succeed in dynamic markets.

STRATEGIC REPORT

CORPORATE GOVERNANCE

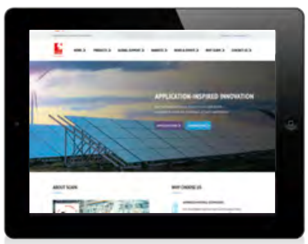
FINANCIAL STATEMENTS

COMPANY INFORMATION

Visit our websites:

www.scapa.com

www.scapahealthcare.com

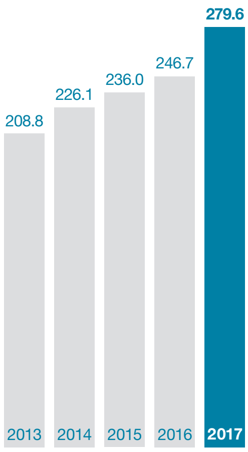


www.scapaindustrial.com

FINANCIAL HIGHLIGHTS

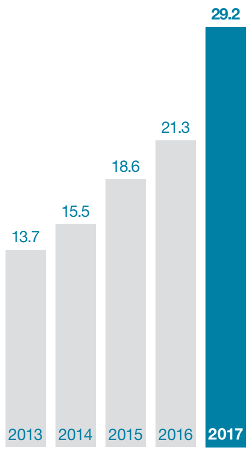
GROUP REVENUE

£279.6m



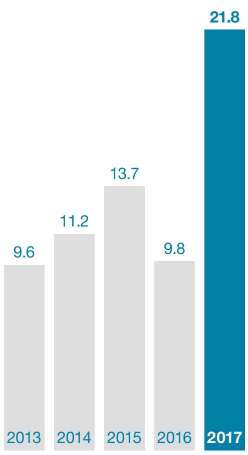
TRADING PROFIT*

£29.2m



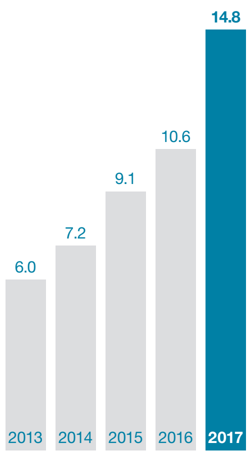
PROFIT BEFORE TAX

£21.8m



ADJUSTED EARNINGS PER SHARE**

14.8p



- Scapa achieved significant goals this year – Healthcare exceeded £100m in sales, Industrial achieved double-digit margins, and the Company achieved £500m market capitalisation
- Revenue, trading profit and margins grew for the seventh consecutive year, showing the benefit of a consistent and well executed strategy
- Revenue increased to £279.6m, helped by currency tailwinds and the acquisition of EuroMed
- Trading profit increased to £29.2m with both businesses contributing well
- Margins increased to 10.4% as the Industrial ROCE strategy continues to deliver
- This strong performance results in an adjusted EPS increase of 39.6%, supporting an increase in the dividend to 2.0p from 1.75p

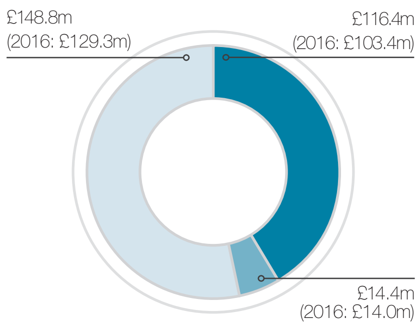
* Operating profit before amortisation of intangible assets, exceptional items and pension administration costs
** Adjusted for exceptional items, amortisation of intangible assets, pension administration costs, non-cash interest, and the tax thereon

OUR BUSINESS AT A GLANCE

We are made up of two distinct and separate businesses: Healthcare and Industrial, each with its own focus and strategy. With a global reach in each of the markets in which we participate, we are focused on sustainable growth and innovation, improving the solutions for our customers by applying our knowledge and expertise in advanced material technology and process solutions.

REVENUE BY GEOGRAPHY

- Europe
- Asia
- North America



HEALTHCARE

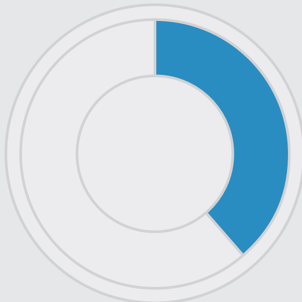
A trusted strategic outsource partner to the global healthcare industry, delivering turn-key solutions and support for our customers through all stages of the product life cycle.

Turn to page 20

REVENUE

£108.7m

(2016: £93.3m)



INDUSTRIAL

The Industrial business operates across a wide range of markets and geographies. It manufactures and delivers an extensive portfolio of adhesive bonding solutions and applications to a global customer base.

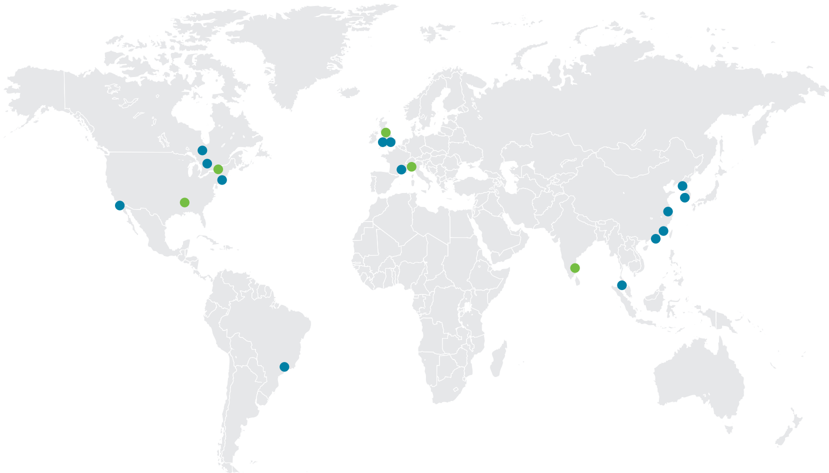
Turn to page 24

REVENUE

£170.9m

(2016: £153.4m)

GLOBAL LOCATIONS



Scapa Americas
Brazil – São Paulo
Canada – Renfrew
USA – Inglewood, Knoxville, Liverpool, Orangeburg, Windsor

Scapa Europe
France – Valence
Italy – Ghislarengo
UK – Dunstable, Manchester, Luton, Ramsbury

Scapa Asia
China – Hong Kong, Shanghai, Shenzhen
India – Chennai
Korea – Chungyang, Anyang
Malaysia – Shah Alam

TRADING PROFIT*

£16.6m

(2016: £14.0m)

MARGIN

15.3%

(2016: 15.0%)

HIGHLIGHTS

- EuroMed now fully integrated and contributing well to H2 performance
- Three-year agreements signed with major customers in Consumer Wellness and Medical Devices
- Increased sales of turn-key products contributing to margin improvement
- New products launched for acne treatment, insulin delivery system and wound care
- Positive outlook for FY18 with good sales pipeline

Turn to page 20

MARKET SNAPSHOT

The market sectors we focus on today are Advanced Wound Care, Consumer Wellness and Medical Devices, including the rapidly growing Wearable Medical Device Fixation market. With our global footprint we can service and support all customer needs wherever they may be.

TRADING PROFIT*

£17.8m

(2016: £10.7m)

MARGIN

10.4%

(2016: 7.0%)

HIGHLIGHTS

- Double-digit margins achieved – focus now to increase margins further to industry average mid-teens
- Rorschach closure executed well and £1m of benefits delivered in H2 as promised
- Good progress on operational efficiency and supply chain costs
- Growth in sales in key segments – good results for innovative products specified into Auto and Cable customers, and improvement in the construction section where we exceeded GDP growth

Turn to page 24

MARKET SNAPSHOT

The market sectors on which we focus include Automotive, Cable, Construction, Consumer and Specialty Products. These are split into Engineered Products – designed for specific customer applications – and Consumer, serviced through distributors.

* Trading profit for the Group is £29.2m which includes £5.2m of Corporate costs

> "I AM IMPRESSED WITH THE VISION AND OPPORTUNITIES THAT STILL REMAIN TO FULLY ACHIEVE SCAPA'S POTENTIAL IN BOTH HEALTHCARE AND INDUSTRIAL."

L C Pentz
Chairman

DEAR SHAREHOLDER

I am pleased to join Scapa at an important juncture in its journey that began with James Wallace, my predecessor. The evolution from an industrial tape company to a global adhesive technology-based company with two distinct businesses, each with an exciting strategy and outlook, has been impressive. During the past eight years, Scapa's share price has risen from £0.095 in March 2009 to £4.00 in May 2017, generating over £600m of shareholder value. As I review the results and accomplishments of the Group, I am very impressed with the volume and pace of the activities. However, I am equally impressed with the vision and opportunities that still remain to fully achieve Scapa's potential in both Healthcare and Industrial.

GREAT PROGRESS AND POTENTIAL

The Healthcare business has been transformed from a roll stock material supplier to market leader in turn-key solutions of adhesive based products. At an early stage we recognised the increasing trend towards outsourcing in our customers and positioned ourselves as the partner of choice to the leading global healthcare companies. Driven by pricing pressure and the need to accelerate time to market, our customers are looking for partners who not only provide materials and manufacturing but can provide turn-key solutions across their entire value chain, from product development to delivery of a finished product. Through continuous investment, including three successful acquisitions, the latest of which was EuroMed in May 2016, Scapa has built a comprehensive set of capabilities across the entire value chain. We have leveraged our unique proposition and developed strategic partnerships with global leaders such as Convatec and Johnson & Johnson. Today, we have long-term commercial agreements with our major healthcare customers that underpin £200m in revenue. We believe that the potential, driven by the fundamentals and dynamics of the healthcare market, is significant. The opportunities are demonstrated by the increasing pipeline of projects that we continue to build. Our challenge is to convert the projects into revenue through flawless execution. Equally, we must continue to develop additional capabilities, organically as well as through acquisitions, to further penetrate beyond the adhesive based value chain at our strategic customers. Our goal is to continue to accelerate the shift to higher value added business with Scapa's innovation and IP that will deliver higher margin and stronger partnerships with our customers who are growing and significant.

The Industrial business continues to deliver impressive results through focus on Return on Capital Employed (ROCE) and operational efficiency. This year it achieved the long-term objective of double-digit trading profit margins. The pressure sensitive market is large, diverse and mature. Estimated at over US$30 billion, its growth reflects the GDP of the markets. We recognised that to deliver the double-digit profit growth we could not rely solely on revenue growth, particularly given the uncertain and endemic macro environment. As such we outlined a self-help agenda focused on operational efficiency and asset optimisation. Our methodical and exceptional operational execution enabled us to deliver on our goal. We have, along the way, accumulated capabilities and competencies that are yielding significant results. Moreover, they are allowing us to expand our potential. We have reset our profit margin target to mid-teens which compares to the market leaders. We believe we can achieve our new goal by continuing to execute our self-help agenda. Furthermore, we believe that we can achieve above-market growth through focus on specific markets where we have competitive advantage.

PERFORMANCE AND DIVIDEND

The continued focus on execution against a consistent strategy outlined above produced another record year for the Group. Group revenue increased 13.3% to £279.6m (2016: £246.7m) and trading profit increased 37.1% to £29.2m (2016: £21.3m), with strong trading helped by a currency translation tailwind. On a constant currency basis, revenue and trading profit grew 1.7% and 18.2% respectively. Group margins increased to 10.4% from 8.6%. Adjusted earnings per share increased 39.6% to 14.8p (2016: 10.6p) and basic earnings per share was 11.6p (2016: 4.1p).

This year has seen a further strengthening of the Balance Sheet, including continued actions to manage the legacy pension scheme deficit. The UK deficit increased slightly to £23.8m as a result of the reduction in the discount rate, and the total deficit of £31.4m, including a number of small overseas schemes, is now less than 1x the EBITDA of the business. EBITDA comprises trading profit before depreciation.

The Group ended the year with net debt of £16.1m (2016: £2.6m), after the acquisition of EuroMed for US$35m (£28.3m) in May 2016. The business continues to focus on cash flow and working capital management.

Given the continuing progress and improved performance, the Board is proposing to increase the final and full year dividend by 14.3% to 2.0p (2016: 1.75p). Subject to approval of shareholders at the forthcoming Annual General Meeting the dividend will be paid on 18 August 2017 to shareholders on the register on 21 July 2017. The ex-dividend date is 20 July 2017.

GOVERNANCE

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 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 2017. The corporate governance section on pages 38 to 69 outlines our full compliance with the UK Corporate Governance Code.

BOARD CHANGE

I succeeded James Wallace as Chairman in March 2017 at the end of the fiscal year. James has been the Chairman of Scapa since October 2007 and during that time he oversaw much of the change, as a result of which Scapa is well positioned for a bright future. On behalf of the Board and all the employees at Scapa, I would like to thank James for his strong leadership during his ten years as Chairman, a period during which Scapa was transformed from a business with significant challenges into the strong, successful business it is today.

James Wallace (on the left) hands over Chairmanship of the Group to Larry Pentz.

PEOPLE

Since becoming Chairman, I have visited many of our sites and had the opportunity to meet our people. It is evident that Scapa's recent success is a result of the skill and dedication of our employees who have embraced the business unit strategy and the cultural changes demanded in the Group. The Scapa Way and our Ten Guiding Principles are now well embedded in the Company culture, which gives a common value system to people from a range of diverse backgrounds and cultures. The Group continues to invest in its people through a variety of programmes and has been able to make a number of senior appointments this year from internal talent. On behalf of the Board, I would like to thank all the employees for their contribution to an excellent year.

OUTLOOK

It has been a year of significant progress and I am very positive about the further opportunities for the Group in both Healthcare and Industrial. Healthcare is well positioned in a growth market and has a window to take advantage of the outsourcing trend. Industrial will continue to drive increased ROCE, with further opportunities identified. I am confident in Scapa's ability to continue to make progress and deliver further value to our shareholders.

L C Pentz
Chairman
23 May 2017

"THE FINANCIAL ACCOMPLISHMENTS ARE THE RESULT OF OUR RELENTLESS AND UNCOMPROMISING EXECUTION OF THE STRATEGY."

H R Chae
Group Chief Executive

OVERVIEW

During the year, the Group delivered on a number of the strategic milestones we have set for ourselves; we achieved double-digit profit margins in Industrial, and our Healthcare revenue has surpassed £100m. In addition we accomplished the audacious goal we set for ourselves four years ago; an internal goal of reaching £500m market capitalisation when it stood at less than £100m at the time. While we pause to reflect on the accomplishments, we are keenly aware that the real challenge is to maintain and surpass the past trajectory. We are confident that we can deliver the next set of milestones and goals as the opportunities and potential for both Healthcare and Industrial are still significant.

In Healthcare our strategy is to be the strategic turn-key partner of choice to our global Healthcare customers. We believe that by broadening our offerings and capabilities we can continue to build our market leading position in a growing and expanding market. In addition to the underlying growth in healthcare due to favourable demographics, we are also at the forefront of an accelerating outsourcing trend. As we review the growing pipeline of projects and potential acquisitions, we are confident that we can maintain double-digit growth in Healthcare, organically and through acquisition.

Industrial serves diverse markets and geographies and its revenue performance reflects the composite macro dynamics. We focus on key defensible markets where we have opportunity to gain market share in the US$30 billion pressure sensitive material market. Our strategy is to continue to deliver profit growth by focusing on the optimisation of our assets through relentless operational execution and achieve mid-teens profit margins, comparable to market leaders.

OUR PERFORMANCE IN 2016/17

The Group focus on execution against the consistent strategic objectives outlined above has helped Scapa to deliver record results once again in 2016/17. Group revenue increased 13.3% to £279.6m or 1.7% on a constant currency basis.

STRATEGIC REPORT

Healthcare revenue increased 16.5% to £108.7m or 5.0% at constant currency. We acquired EuroMed, a US-based hydrocolloid wound care solution company, in May 2016. Excluding ten months of EuroMed, the organic revenue increased 5.8% or (4.6)% at constant currency. Healthcare growth was against a very strong comparator, 26.4% growth in 2016, driven by product launches of two of our customers and new pricing on a contract extension which we signed last year. We expect that, as we move further toward turn-key solutions, our revenue will be more volatile on a short-term basis driven by product launches and campaigns of our customers. However, we remain very confident of the outlook for the business and have seen a significant growth in the sales pipeline that is transitioning to higher value, higher margin turn-key products or components based on Scapa IP and innovation.

Healthcare profits increased 18.6% to £16.6m, or 4.4% at constant currency, improving margins to 15.3% as we improve efficiency and shift further to turn-key solutions. We expect that the higher margin achieved during the second half of the year can be maintained and, as we continue to focus on operational efficiencies and the revenue profile shifts more toward turn-key solutions, the margins should continue to improve further.

In May 2016, we completed the acquisition of EuroMed, the hydrocolloid wound care company based in Orangeburg, New York. With its intellectual properties and innovation portfolio, the acquisition significantly enhances our design and development capabilities, which further strengthens our value chain and deepens our strategic engagement with our Healthcare customers. EuroMed has integrated well, particularly after the backlog and cost base normalised post transaction. The second-half performed well both in revenue and profit, with second-half profits ahead of our initial expectations.

Industrial revenue increased 11.4% to £170.9m, or (0.3)% at constant currency. Cable performed well, driven by general improvement in the clean energy sector and a contract win in the US.

The Construction segment also delivered above-market growth, including in France. The positives were offset by a decline in Auto and Specialty Products. Our strategy to focus on operating efficiencies and Return on Capital Employed (ROCE), enables us to deliver double-digit profit growth despite flat revenue. Industrial profits increased by 66.4% to £17.8m, 45.9% growth at constant currency, and margins were increased to 10.4% from 7.0%. The improvement in profit was driven by (i) operational efficiencies; (ii) lower input costs; and (iii) initial benefit from the closure of Rorschach. We expect that we will see an additional £1.0m profit improvement next year from the closure. Despite reaching the double-digit profit margin target we set for ourselves, we believe that there are still significant opportunities to further improve our Industrial margin by continuing to execute our strategy. We believe that we can deliver mid-teens profit margin through additional operational efficiencies and asset rationalisation.

OUR EXECUTIVE TEAM

From left to right:

Clare Taylor
Group HR Director

Graham Hardcastle
Group Finance Director

Chris Carter
Chief Operating Officer

Troy Asberry
Managing Director, Industrial

Heejae Chae
Group Chief Executive

Sayoung Jung
Managing Director,
Global Corporate Development
and Strategy

Joe Davin
President, Healthcare

Group trading profit increased to £29.2m, a growth of 37.1% or 18.2% at constant exchange rates, and margins increased to 10.4%. The Group benefited from a post-Brexit currency tailwind and the trading profit constant currency result was also well ahead of expectations for the year. Cash generation was strong, and we ended the year leveraged at 0.45 times EBITDA after paying US$35m for the acquisition of EuroMed.

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:

STRATEGIC PROGRESS DURING THE YEAR		
HEALTHCARE	**What we said we would do** 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.	**What we have achieved** The commercial project pipeline has been improved in terms of the number, quality and range of projects under development. Scapa is well positioned to help our customers improve cost, supply chain efficiency and speed to market. With the successful acquisition and integration of EuroMed, Scapa has added to its IP portfolio and has further moved the business towards higher value-add turn-key products. First Water, acquired in 2015, performed strongly again this year. We have long-term commercial agreements with our major Healthcare customers that underpin £200m in revenue over the life of the contracts.
INDUSTRIAL	**What we said we would do** Further drive ROCE through optimisation of the asset base. Continue to focus on efficiency improvement and cost control. Focus on key markets where we can gain market share.	**What we have achieved** Driving increased ROCE through optimisation of the asset base has been a key feature of the Scapa Industrial strategy. During the year the facility in Rorschach, Switzerland was closed and the majority of the production transferred to the existing facility in Valence, France. The project was completed on time and on budget, with minimal service interruption to customers, and has delivered on the commitment to generate £1.0m of profit improvement in the second half. We expect a further £1.0m of incremental savings in the first half of FY18. Our supply chain team and strong cost controls also contributed to the increase in margins, up from 7.0% last year to 10.4% in 2017.
ACQUISITIONS	**What we said we would do** Make further acquisitions to complement the current business or deliver a new strategic platform.	**What we have achieved** EuroMed, a specialist producer of hydrocolloid products for advanced wound care and consumer healthcare products based in Orangeburg, New York, was acquired in May 2016 for US$35m and improves the range of technologies available to our customers. It has fitted seamlessly into the Scapa Healthcare Group and made a strong contribution to performance in the year.

STRATEGIC PROGRESS DURING THE YEAR CONTINUED

FINANCIAL	**What we said we would do** Continue to improve the Group's pension and tax positions.	**What we have achieved** The gross pension deficit at year end was £31.4m (2016: £27.5m) – well controlled despite the adverse movement in the discount rate during the period. The Group continues to explore ways to manage the deficit and has conducted a number of projects during the year, including offering flexible retirement options and pension increase exchange plans. The effective tax rate for 2017 was 20.0% (2016: 23.8%), reduced through a combination of strong UK trading and careful tax planning.
CULTURE	**What we said we would do** Promote The Scapa Way by embedding our core values and continuing to pursue entrepreneurialism across all aspects of our business.	**What we have achieved** After the efforts to promote The Scapa Way and the Ten Guiding Principles over recent years this is now very visible in the Group and continually reinforced. The Scapa Academy allows for efficient online training on a variety of subjects, including the Code of Conduct which reflects both Scapa values and legal compliance. The annual CEO Awards produced another excellent list of projects that have delivered significant value across the business.

2017/18 STRATEGIC GOALS AND PRIORITIES

Looking into the 2017/18 financial year, we believe that the strategies we have in place for our business units continue to give the right focus and will continue to deliver further value for our shareholders, and the continued emphasis and challenge within the business will be on execution against that strategy as the pace of projects accelerates:

- **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
- **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
- Make further acquisitions to complement the current business or deliver a new strategic platform
- Continue to improve the Group's pension and tax positions, and review the Company's banking facilities
- Continue to focus on talent development and succession planning to ensure that we have the right people embedded with our core values to further drive the growth of the business

OUTLOOK

We achieved some significant milestones during the year as a result of our relentless and uncompromising execution of the strategy. Whilst much has been achieved, we believe that much more potential remains to be fulfilled in both Healthcare and Industrial and we have set the goals for the next phase of our growth, which we are confident we can deliver.

We continue to execute the strategy that we have outlined for both Healthcare and Industrial. We have a team with a strong track record of delivery. The Group is well positioned to leverage the recent accomplishments and continue to make further progress in the year ahead.

H R Chae
Group Chief Executive
23 May 2017

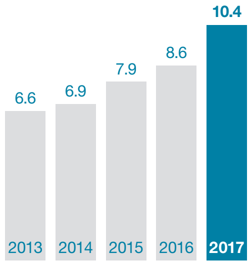
"WE HAVE SET THE GOALS FOR THE NEXT PHASE OF OUR GROWTH WHICH WE ARE CONFIDENT WE CAN DELIVER."

KEY PERFORMANCE INDICATORS

Our key performance indicators (KPIs), which include financial and non-financial measures, enable the Board to monitor performance. They have been selected as being important to the success of the Group in delivering its strategic objectives.

RETURN ON SALES

10.4%



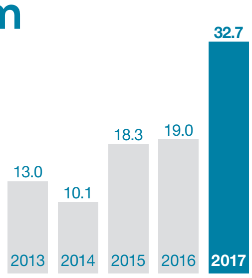
Definition Return on sales is trading profit as a percentage of revenue.

Commentary Return on sales is used to measure the underlying profitability of our operations and monitor the improvement against previous years.

Why we measure Assess whether growth is sustainable and profitable.

UNDERLYING CASH FLOW FROM OPERATIONS

£32.7m



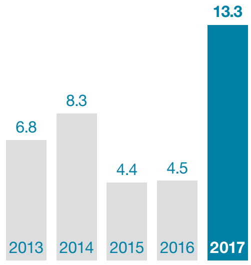
Definition Underlying cash flow is calculated using the cash from operations and adjusting for exceptional items.

Commentary Generating sufficient levels of cash to ensure that the Group is able to pursue its strategic goals. Underlying cash flow is an indicator of the Group's efficiency in generating cash from the trading profits of the business.

Why we measure Track the ongoing availability of cash for investment back into the Group.

REVENUE GROWTH

13.3%



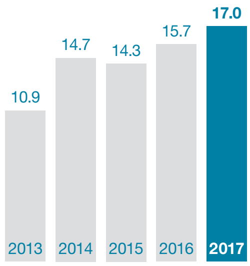
Definition Revenue growth measures the change in revenue achieved against prior year.

Commentary Revenue growth is monitored at both consistent and actual exchange rates (see also segmental reporting) as a measure of the growth of the Group. The metric used by the Group is actual exchange rates as shown above.

Why we measure Track the relative performance of our growth.

ADJUSTED RETURN ON CAPITAL EMPLOYED (ROCE)

17.0%



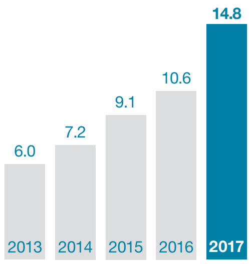
Definition Adjusted ROCE is defined as trading profit divided by the capital employed (equity plus long-term liabilities).

Commentary By delivering our strategy it is important to increase shareholder value. Adjusted ROCE is used together with the profit measures to monitor the efficient use of Group assets.

Why we measure Monitor value created from investments.

ADJUSTED EARNINGS PER SHARE

14.8p



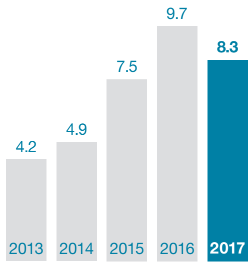
Definition Adjusted Earnings per share (EPS) is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year.

Commentary By delivering our strategy we will create value and increase profits. Adjusted EPS is the measure used by the Board to assess the overall profitability of the Group.

Why we measure Track value generation for the Group's shareholders.

CAPITAL EXPENDITURE

£8.3m



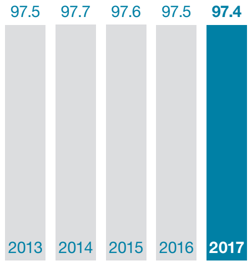
Definition Capital expenditure in the year on property, plant and equipment and excluding acquisitions.

Commentary To enable the Group to continue to grow and improve customer satisfaction, Scapa invests in maintaining and improving our existing plants and facilities. Capital expenditure is an indicator of investment in production capacity and development.

Why we measure Investment is vital to maintain our position and create future value.

CUSTOMER SATISFACTION PER ORDER

97.4%



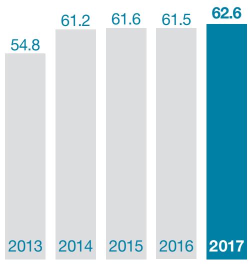
Definition Customer satisfaction measured by the percentage of the orders during the year that do not lead to a complaint.

Commentary The number of complaints is an indicator of customer satisfaction.

Why we measure Track the performance in customer relationships.

CAPACITY UTILISATION

62.6%



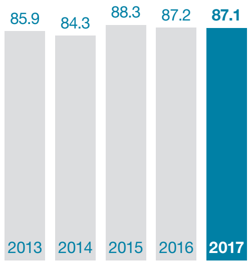
Definition Hours booked to production as a percentage of total possible, based on running 24 hours a day 5 days a week.

Commentary Managing capacity allows us to be responsive to customer needs by balancing cost efficiency and flexibility of production. We can simplify engagement with our customers by offering a balanced portfolio of available capacity across the globe.

Why we measure To ensure that a balance is struck between cost efficiency and flexible production.

SERVICE PERFORMANCE

87.1%



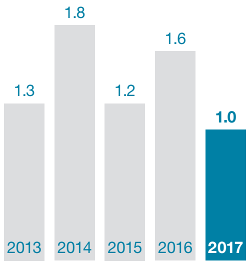
Definition Service performance and ease of engagement measured as the number of times the requested delivery date is met as a percentage of the total orders.

Commentary To build partnerships and ease engagement it is essential to meet customer needs and requests.

Why we measure Measure service provided to our channels/partners.

LOST TIME INJURY FREQUENCY RATE (LTIFR)

1.0



Definition The number of lost time accidents which occurred in the year across all European and North American sites per 200,000 hours worked.

Commentary We maintain that zero accidents/incidents is the ultimate goal in Environmental, Health and Safety (EHS) excellence and we will continue to strive for this in both lost time accidents and lost days. As a manufacturing business a significant proportion of our employees work in production. This measure indicates the Group performance in reducing accidents and improving health and safety for our employees. 2017 showed a good improvement over the prior year and is the best result in the last five years.

Why we measure Protecting our people and acting responsibly is a must.

RISK MANAGEMENT

Embedded risk management systems have supported the Group in pursuing its strategy for growth.

RISK MANAGEMENT

Risk is an inherent part of doing business. A successful risk management process balances risk and reward and is underpinned by sound judgement of their impact and likelihood. The Group Board has overall responsibility for ensuring that Scapa has an effective risk management framework, which is aligned to our objectives.

The Executive Team, Audit and Risk Committee and Board review risks which could affect the Group throughout the year. Risk and issue tracking systems are reviewed by our Group Risk & Assurance team on a regular basis to ensure that the framework is in line with good practice in risk management and that agreed mitigation plans are being adhered to.

We take the view that the policies, procedures and monitoring systems that are in place are sufficient to effectively manage the risks faced by our business.

SCAPA'S APPROACH TO RISK MANAGEMENT

Scapa adopts both a Top down and Bottom up approach to risk to manage risk exposure across the Group to enable the effective pursuit of strategic objectives. The approach is summarised in the diagram below.

Risk identification

Risks exist within all areas of our business and it is important for us to identify and understand the degree to which their impact and likelihood of occurrence will affect the delivery of our key objectives.

The recording of risks at Scapa is achieved through our risk management model.

Their identification is achieved through day-to-day working practices including horizon scanning for legislative changes, professional body alerts, strategic planning, operational reviews, accident and incident reporting, project governance procedures and independent systems audits.

In addition to ongoing risk identification, the Group's risk universe is reviewed on an annual basis. This exercise relies on risk intelligence being gathered from:

- Top down – through participation from the Executive Team, senior management and departmental experts (including Quality, Health & Safety, Supply Chain and Research & Development) and giving consideration to the Group's strategy, related objectives and any barriers and enablers to the achievement of these objectives

INTEGRATED APPROACH TO RISK MANAGEMENT

MANAGING RISK FROM THE TOP DOWN

MANAGING RISK FROM THE BOTTOM UP

TOP DOWN STRATEGIC RISK MANAGEMENT		**BOTTOM UP** OPERATIONAL RISK MANAGEMENT
> Provision of guidance on the Group's approach to risk management and establishing parameters for risk appetite and associated decision-making > Identification, review and management of identified Group strategic risks and associated actions > Ongoing consideration of environmental risks > Setting the risk appetite of the Group	Board and Audit and Risk Committee	> Assessing the effectiveness of the risk management processes adopted across the Group > Challenging the content of the strategic risk registers to facilitate the documentation of comprehensive and balanced assessment of risk > Reporting on the principal risks and uncertainties of the Group
> Directing delivery of the Group's identified actions associated with managing risk > Identification and monitoring of the key risk indicators and taking timely action where appropriate	Executive Team and Leadership Team	> Responsible for reviewing the completeness and consistency of the operational risk registers across business units and the Group > Challenging the appropriateness and adequacy of proposed action plans to mitigate risk > Analysing and giving consideration to the aggregation of risk across the Group > Provision of cross functional/business unit resource to effectively mitigate risk where appropriate
> Execution of the delivery of the Group's identified actions associated with managing risk > Timely reporting on the implementation and progress of agreed action plans > Provision of key risk indicator updates	Business Units	> Identification and reporting of strategic risks to the Board > Provision of reports and data relating to significant emerging risks to the Group (internal and external) > Implementation of a risk management approach which promotes the ongoing identification, evaluation, prioritisation, mitigation and monitoring of operational risk > Identification, evaluation, prioritisation, mitigation and monitoring of operational risks which are the responsibility of each subsidiary company > Identification of strategic risks which are reported to the Group

EFFECTIVE PURSUIT OF STRATEGIC OBJECTIVES

- Bottom up – by engaging with our people, listening to their views and recognising their contribution. In addition, we have a robust and effective whistleblowing procedure to highlight issues such as potential wrongdoing or risks that are not being managed

In determining the relative importance of risks in our business, we use a scoring mechanism to identify the likelihood of a risk crystallising and the impact this would have on the achievement of our strategic objectives, assuming that no controls are in place (inherent risk score).

Assessment
After identifying Scapa's inherent risk exposure, we assess the suitability and effectiveness of existing controls and mitigating factors to ascertain the Group's net exposure (mitigated risk score).This process includes mapping the sources and reliability of assurances over the effectiveness of controls provided to the Executive Team, Audit and Risk Committee and Board.

In addition to assessing the mitigated risk the Board, with the assistance of a third party, undertook a focused exercise in the year to identify its risk tolerance and appetite.

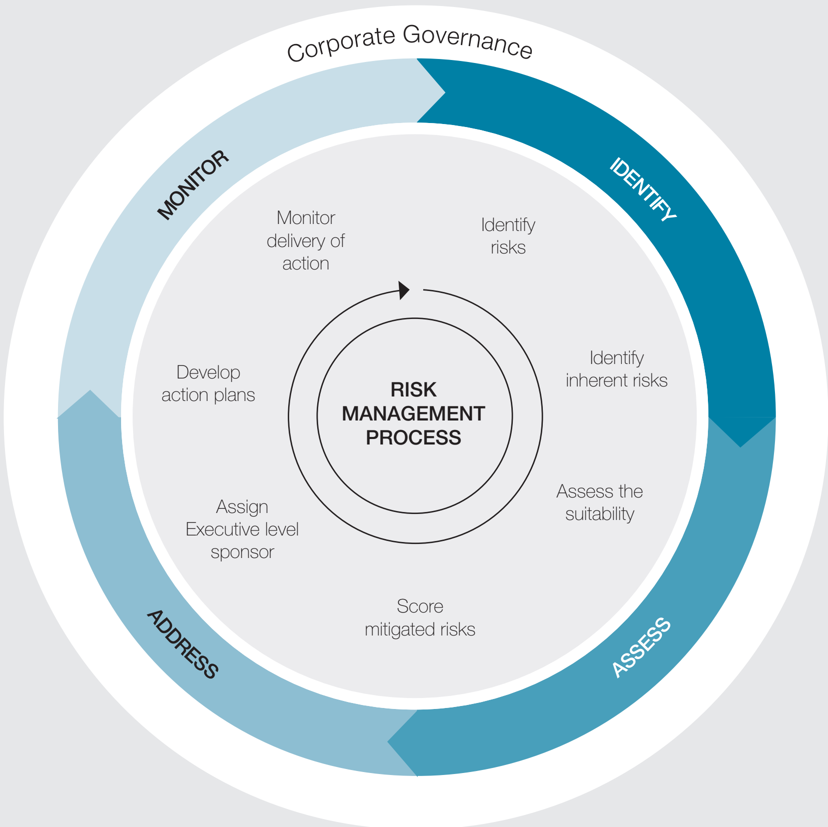
Addressing risks
An assessment of whether additional actions are required to reduce our exposure to risk:

- Treat – develop an action plan to implement additional controls, or provide additional assurance over the adequacy and effectiveness of existing controls
- Transfer – use third party expertise to mitigate against risk
- Tolerate – determine that the risk is within appetite, when compared with the cost and resources required to reduce the risk
- Terminate – exit the activity

Monitoring and reporting
The process used by the Audit and Risk Committee to review the effectiveness of risk management includes:

- review of the Group's risk profile to assess potential risk areas and progress against action plans
- review of internal and external audit plans to minimise duplication of assurance provision
- review of the implementation of internal audit recommendations
- review of the status of management actions associated with the issues

RISK MANAGEMENT MODEL



RISK MANAGEMENT CONTINUED

INTERNAL CONTROL

The Group's approach to internal control is based on the 2013 COSO Internal Control – Integrated Framework.

Internal control is an ongoing process which is engrained in Scapa's activities and operations. The aim of our internal control framework is to provide reasonable assurance to the Board over the following areas:

- The effectiveness and efficiency of operations
- The reliability of financial reporting
- Compliance with relevant laws and regulations

Scapa's internal control framework consists of the following key components:

Control environment – The 'tone from the top' of Scapa and the foundation upon which all other components of the framework rest. We have tried to capture the attributes, integrity, values and competencies that Scapa employees display within our Code of Conduct.

Risk assessment – Our awareness of the risks we face and the actions we take to address and mitigate the risks identified.

Control activities – The policies and procedures that help ensure that actions and directives required by management are carried out.

Information and communication – The ability for Scapa employees to capture and exchange the information needed to conduct, manage and control our operations; employees' understanding of their own role in the internal control framework.

Monitoring activities – Continuous review and improvement where necessary to allow the system to react dynamically and change as needed.

Site-based teams operate against mandated minimum control standards which are issued by the Group Finance Director. Annual assessments of compliance are completed by site teams as part of a controls self-assessment process introduced during 2012/13. Each site team is subject to regular internal audit, with the objective of assessing the extent of compliance with these standards and to assess the accuracy of the controls self-assessment.

Financial reporting follows generally accepted accounting practice in all areas. Central review and approval procedures are in place in respect of major areas of risk such as acquisitions and disposals, major contracts, capital expenditure, litigation, treasury management, taxation and environmental issues. Compliance with legislation is closely monitored and reviewed regularly to ensure that any new legislation is taken into account, including compliance with environmental legislation. High standards and defined targets are set for environmental, health and safety performance.

RISK AND CONTROL REPORTING STRUCTURE

Our internal control structures are designed to provide assurance that the Group is on track in delivering against its strategic objectives.

Scapa has a clear structure for ensuring that accurate and reliable information on the adequacy and effectiveness of internal controls is presented to the Executive Team, Audit and Risk Committee and Board.

Internally, we operate 'three lines of defence':

- **First line –** established and embedded policies and procedures
- **Second line –** direction and policy set at Group level to enforce consistency. Oversight functions sit at Group level
- **Third line –** independent challenge and assurance

STRONG RISK MANAGEMENT IS AT THE HEART OF OUR BUSINESS

The following pages summarise the principal risks and uncertainties which the Group faces together with relevant key controls and mitigating factors. The list does not constitute a list of all risks faced by the Group.

RISK	ACCOUNTABLE EXECUTIVE	KEY CONTROLS AND MITIGATING FACTORS	RISK MOVEMENT
STRATEGIC			
Global economic and political environment Political and economic uncertainty e.g. Brexit which affects market and financial stability **Impact** Detrimental impact on business performance	**Heejae Chae** Group Chief Executive	• Regular risk assessment completed on macro-economic impact on key business areas (Supply Chain, Tax and People) • Geographic diversity means the Group maintains a largely natural transactional currency hedge with main exposure being translation	New risk
Business strategy The Board develops the wrong business strategy or fails to implement its strategy effectively **Impact** Negative impact on long-term growth prospects	**Heejae Chae** Group Chief Executive	• Clear strategy in place which is reviewed by the Board on a regular basis • Progress against the strategy is monitored by senior management and the Board on an ongoing basis • Risks relating to the achievement of the Group's strategy are reviewed regularly by the Audit and Risk Committee and Board	Risk remains the same
Acquisitions and disposals Poor decision making on organisational restructuring **Impact** Adversely affect the Group's results, weakening shareholder value	**Heejae Chae** Group Chief Executive	• Significant internal and external due diligence processes • Acquisitions and disposals approval by the Board • Monitoring of business portfolio and structure at senior management and Board level • Integration planning for acquisitions across Finance, Operations, HR and Commercial	Risk remains the same
FINANCIAL			
Financial and treasury Unavailability and cost of funding and foreign exchange **Impact** The Company does not have access to sufficient funds to permit trading as a going concern	**Graham Hardcastle** Group Finance Director	• Access to committed facility of £60m • All treasury policies are approved at Board level • Committed facility providing sufficient headroom and capability • Day-to-day currency exposure is largely naturally hedged. The Company may consider hedging instruments for specific transactions as they arise	Risk remains the same

Risk remains the same

Risk increases

Risk decreases

New risk

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	ACCOUNTABLE EXECUTIVE	KEY CONTROLS AND MITIGATING FACTORS	RISK MOVEMENT
FINANCIAL CONTINUED			
Pensions Liabilities increase due to increasing life expectancy, inflation and poor performance in investments compounded by fluctuations in the discount rate **Impact** The pension liabilities and associated cash requirements have a material adverse impact on the Group's cash flows	**Graham Hardcastle** Group Finance Director	• No final salary pension schemes are open at the Group • The UK scheme has been closed to new members and future accruals since 2007 • Active and ongoing liability management programme, including long-term funding agreements • All asset investments are under the management of trusted, professional fund managers • The asset portfolio is diverse and spreads risk and return across multiple investment types and across various global territories • Pensions risk assessment completed by independent experts	
MARKET			
Customers Over-reliance on specific customers or markets **Impact** Places pressures on pricing, margins and profitability	**Heejae Chae** Group Chief Executive	• Diverse range of customers with no specific weight towards one customer • Our business strategy, including acquisitions/disposals, is tailored to reduce reliance on one particular market and increase customer base • Winning new long-term contracts in healthcare helps spread risk and encourage growth • Extensive up-front customer risk assessment and robust credit management systems employed	
OPERATIONS			
Raw material pricing Excessively high raw material prices **Impact** Reduced competitiveness as a result of reducing margins and profitability	**Chris Carter** Chief Operating Officer	• Global Supply Chain function in place with clear cost-reduction targets • Commodity prices are reviewed on a monthly basis by the supply chain team • Contracts with suppliers are being renegotiated to further reduce our exposure to price changes • Formula based on open book costing • Dual sourcing based on regional alternatives • Material substitution programme	
Human resources Failure to attract and retain people with the right virtues and talents to sustain and grow our business **Impact** • Inability to achieve our business objectives of sustainable growth • Loss of skills, knowledge and experience	**Clare Taylor** Group HR Director	• Global performance management system in place • Performance-related incentive schemes are in place across the business • Global Reward, Compensation and Benefits Manager recruited with specific focus on global reward and incentive linked to overall business strategy • Roll-out of talent and succession planning programme	

Risk remains the same
Risk increases
Risk decreases
New risk

RISK	ACCOUNTABLE EXECUTIVE	KEY CONTROLS AND MITIGATING FACTORS	RISK MOVEMENT
OPERATIONS CONTINUED			
ICT systems and infrastructure ICT systems and infrastructure failure and/or interruption Data breach and cyber security **Impact** Significant disruption to direct manufacturing and support processes	**Graham Hardcastle** Group Finance Director	• Group and site-based business continuity and disaster recovery processes in place • Annual test of disaster recovery for core systems • Multi-site and remote device back-up of electronic data • Fallover and standby solutions built into system architecture for core systems, providing additional resilience • Security and segregation built into system architecture for e-commerce systems to ensure minimum exposure from transactions • We have implemented a rigorous IT governance model (covering IT Service Management and IT Portfolio Management), in line with industry best practice, to provide enhanced assurance for both our existing IT services and the delivery of new solutions • Ongoing review of Cyber Security and Data Protection Procedures, Policies and Assurance	
REGULATORY AND COMPLIANCE			
Product quality Products are not up to the required quality and health and safety standards **Impact** Poor financial performance due to customer returns and product liability claims, ultimately affecting customer trust in Scapa as a supplier	**Joe Davin** President, Healthcare **Troy Asberry** Managing Director, Industrial	• ISO 9001 International Quality Systems accreditation at all key sites in addition to: – Ashton, Valence, Ghislarengo and Renfrew are third party accredited to TS 16949. Ashton and Valence are also accredited to ISO 14001 – Dunstable, Inglewood, Knoxville, Ramsbury, Orangeburg and Windsor are accredited to ISO 13485 • Internal quality audit processes are in place with issue resolution tracking • Known problems have been addressed with rigorous root cause analysis and corrective action to ensure that they do not reoccur • Customer quality requirements are clearly identified • In-process and final product quality checks are performed to ensure compliance • Inglewood, Knoxville and Renfrew are registered as medical device manufacturers under 21CFR820 with oversight from the US Food and Drug Administration (FDA) • Recall insurance is in place for Healthcare and Automotive	

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	ACCOUNTABLE EXECUTIVE	KEY CONTROLS AND MITIGATING FACTORS	RISK MOVEMENT
REGULATORY AND COMPLIANCE CONTINUED			
Health and safety Failure to ensure safe working practices **Impact** • Significant injury or loss of life • Reputational damage associated with accidents and injuries resulting in customer disassociation with Scapa	**Chris Carter** Chief Operating Officer	• Lost time injury frequency rate (LTIFR) of 1.0 compared with last year of 1.6 • We continue to develop our policies and training programmes in line with our risk profile • Our safety management system is continually being developed, added to and improved • We conduct regular audits and work with external accredited agencies to standards such as ISO 14001 and 18001 globally • We actively use our risk mapping mechanisms to influence our EHS capital expenditure to proactively manage our risks	
Environment Failure to mitigate environmental impact **Impact** • Reputational damage • Financial loss associated with clean-up, fines and sanctions	**Chris Carter** Chief Operating Officer	• ISO 14001 in most sites, with a plan in place to certify the remaining significant sites • Conduct regular internal reviews of environmental aspects and impacts • Training provided to site management and employees • Enforcement and surveillance visits by third parties	

Risk remains the same

Risk increases

Risk decreases

New risk

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code (commonly referred to as the longer-term viability statement), the Directors have assessed the prospect of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of three years, which was selected for the following reasons:

- The Group's strategy of long-term profitable growth is set over a rolling three-year period
- A review of the current and future customer contracts has been undertaken and it is reasonable to conclude that given appropriate management these will continue throughout the period
- Business risks are reviewed at least annually and the Group manages a risk-based assurance programme which is set over a three year period. This is consulted on with the business units and the Board on a regular basis and the Group believes that this enables assurances to be obtained on the systems of internal control in those areas which have been identified as barriers to achieving its strategic objectives
- This has been further underpinned by the regular Board briefings provided by the Executive Directors as part of a robust reporting and business unit review framework. This process highlights business strategy risks and opportunities, which are considered within the Board's risk appetite framework

PRINCIPAL RISKS

During 2016/17 the Board has continued to assess and monitor the principal risks of the business. This includes those risks (financial, operational and compliance) that would impact on the Group's Strategy to achieve long-term profitable growth, taking account of global economic and political volatility (e.g. Brexit). The principal risks have been categorised into:

- Strategic
- Financial
- Market
- Operations
- Regulatory and compliance

The strategic risks that have been identified in the Annual Report and Accounts are specific to the Group and are a reflection of the importance that the Group places on its robust risk management programme, which is continually being reviewed.

More details of the processes adopted are provided in the Risk Management and Principal Risks and Uncertainties sections on pages 12 to 18 of this report.

CURRENT POSITION AND PROSPECTS

The Directors confirm that they have a reasonable expectation, absent a major unforeseen event outside of the Group's control, that the Group will continue to operate and meet its liabilities as they fall due for the next three years.

The Directors' assessment has been made with reference to the Group's current position, prospects and Balance Sheet strength, the Group's strategy and the Group's principal risks and how these are managed, as detailed in the Strategic Report.

DELIVERING PROFITABLE GROWTH THROUGH STRATEGIC PARTNERSHIPS

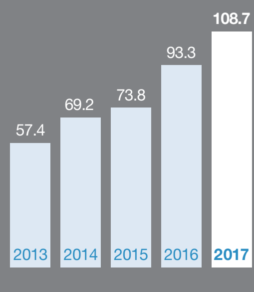
HEALTHCARE

> "SCAPA HEALTHCARE HAS ESTABLISHED ITSELF AS A TRUSTED OUTSOURCE PARTNER FOR LEADING HEALTHCARE COMPANIES."

JOE DAVIN
PRESIDENT, HEALTHCARE

REVENUE

£108.7m



"OUR DEEP UNDERSTANDING OF OUR CUSTOMERS AND THE HEALTHCARE MARKETS HAS ENABLED US TO DELIVER ANOTHER SUCCESSFUL YEAR OF PROFITABLE GROWTH."

Scapa Healthcare continues to lead as a strategic outsource partner of choice, providing turn-key solutions into three target markets: Advanced Wound Care, Consumer Wellness and Medical Devices. Through innovation, expertise and alignment of core values, we support leading healthcare companies to face their growth challenges and deliver world class products to end-users.

Our deep understanding of our customers and the healthcare markets we serve has enabled us to deliver another successful year of profitable growth. We continue to strive to become their strategic outsource partner of choice, and to invest and innovate to fulfil customer needs and solve their challenges.

MARKET TRENDS AND OVERVIEW

Demand for products and services within the healthcare industry is ever-changing and complex. Global healthcare organisations and consumer brands are faced with pressure to efficiently deliver the highest quality products at the lowest possible price. There are two ways to achieve this: internally they can invest heavily in differentiating technologies and infrastructure while attempting to lower their cost of manufacturing, or they can find the right strategic outsource partner. Responding to these market demands, Scapa Healthcare has established itself as a trusted outsource partner for leading healthcare companies.

Globally, healthcare companies continue to focus on strengthening both their internal research and development, marketing and distribution channels while utilising outsource partners as a more efficient means of producing their products, improving supply chain efficiency, shortening development times and bringing products to market faster. As a result, demand for third party services has grown as brands seek to establish trusted strategic outsource partnerships with scale and unique abilities. Expectations and capabilities continue to evolve as outsource partners are required to deliver more than just high quality products. They are tasked with delivering a complete turn-key solution, including design, regulatory and development expertise that can take a product from its earliest concept through design and manufacturing, while maintaining strict quality, process, design and cost controls. This capability ultimately results in rapid speed to market to enhance the brand owner's competitive position.

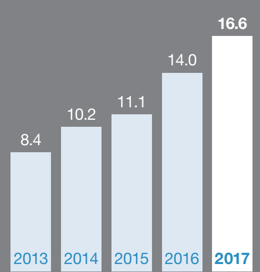
Both the healthcare market and leading healthcare companies continue to call for innovation that will streamline their development process. Scapa Healthcare's innovation strategy seeks to build a robust pipeline of both research and development projects and new customer development projects to propel the business forward. Through our 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.

Last year's acquisition of EuroMed, a leader in the development and manufacturing of hydrocolloid-based dressings, has added tremendous value to the Scapa Healthcare portfolio. The Orangeburg, NY site continues to deliver profitable growth with the introduction of hydrocolloids into Scapa Healthcare's technology platforms. The new technology has leveraged synergies between both organisations' client bases, engaging new development programmes at existing advanced wound care and consumer wellness customers. Hydrocolloids have also enabled Scapa Healthcare to become a stronger player within the health and beauty segment of the consumer wellness market.

Building on last year's tremendous success, the 2015 acquisition of First Water Limited (based in Ramsbury, UK) continues to leverage its growing portfolio of hydrogel formulations. Scapa Healthcare has strengthened its partnerships with leading brands to develop next generation products and expand the technology into completely new markets such as over-the-counter wearable devices and dressings to stop the inception of wounds. These new developments have positioned Scapa Healthcare as an innovative and trusted partner with large consumer and wound care brands.

TRADING PROFIT

£16.6m



Ongoing development work to meet the growing spectrum of wearable medical device users led to a more comprehensive Scapa MEDIFIX® Long-term Wear Solutions range. Long-term Wear Solutions are designed to adhere a medical device to the skin for an extended period of time with the creation of custom material and design combinations based on clinical and user requirements. Market demands for longer-wearing adhesives resulted in two subsequent wear studies. Both studies demonstrated the importance of adhesive and substrate combinations and developed a solution lasting up to 16 days, two days longer than earlier studies.

The Delivering Long-term Wear Solutions project resulted in a separate sterilisation method study and white paper publication to evaluate adhesives minimally affected by e-Beam sterilisation. Before use, wearable medical devices must undergo sterilisation; e-Beam sterilisation is not detrimental to electronics and therefore is most commonly used. Our range of e-Beam stable extended wear adhesives enables us to deliver custom developments and scalable production across the rapidly growing wearables market for devices such as patient monitoring, insulin delivery and continuous glucose monitoring.

STRATEGY AND BUSINESS MODEL

Scapa Healthcare continues to concentrate on being the strategic outsource partner of choice, providing turn-key solutions for current and future industry leaders in our three target markets: Advanced Wound Care, Consumer Wellness and Medical Devices.

Our strategy is to remain a business-to-business partner to global healthcare customers, supporting them in the design, development and launch of their new products into the healthcare market. Our team of experts and full turn-key capabilities allow us to quickly take a product from concept to market faster than many of our partners can do internally. Delivering rapid speed to market allows us to offer our partners a differentiated competitive advantage in the market-place. This enables us to build long-term trusted relationships, supported by multi-year contracts that provide visible and secure streams of income for the business.

To enhance our plan, we refined a comprehensive go-to-market strategy, targeting senior level engagement and outlining a strategic growth platform for the three key markets that we service. We will continue to establish a strong platform for growth with long-term contract renewals

OUR BUSINESS MODEL – HOW WE CREATE VALUE

2016/17 PERFORMANCE

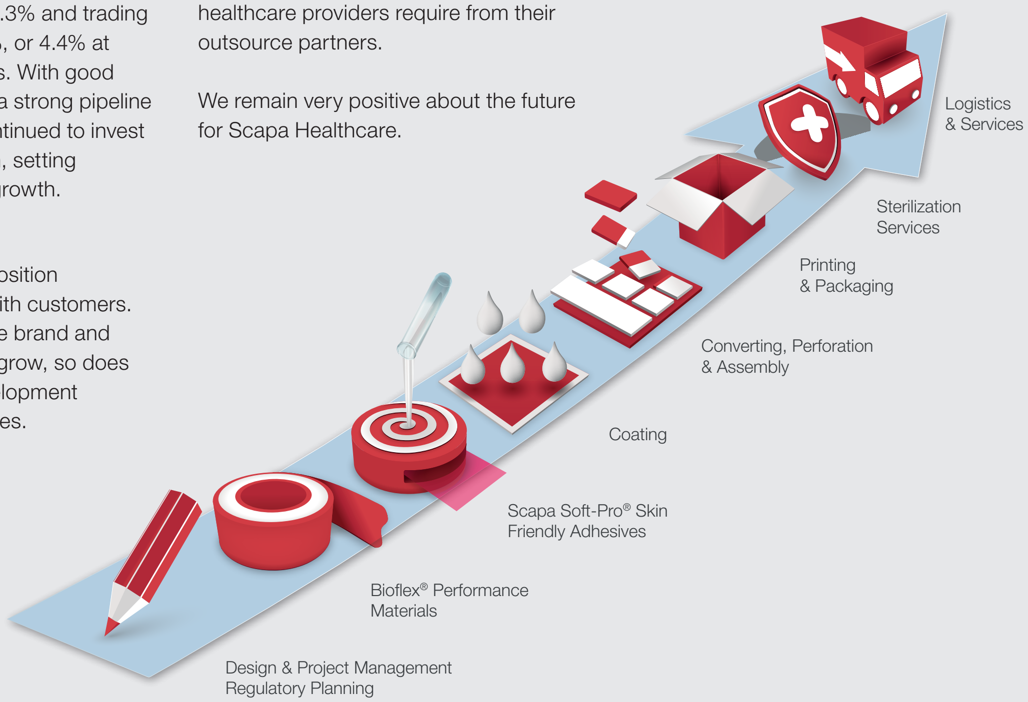
Scapa Healthcare made good progress this year, increasing revenue by 16.5%, or 5.0% at constant exchange rates. We saw continued success in obtaining long-term contract renewals and structured programmes with customers. Margins increased to 15.3% and trading profit growth was 18.6%, or 4.4% at constant exchange rates. With good visibility of revenue and a strong pipeline of projects, we have continued to invest in innovation and design, setting ourselves up for future growth.

OUTLOOK

Our turn-key value proposition continues to resonate with customers. As the Scapa Healthcare brand and reputation continues to grow, so does the pipeline of new development projects and opportunities.

We are actively engaged with major healthcare companies across all of our business sectors and at every level of the value chain. We will continue to invest in the business, developing the tools, infrastructure and talent needed to deliver the world class service that leading global healthcare providers require from their outsource partners.

We remain very positive about the future for Scapa Healthcare.



"DELIVERING HIGH QUALITY PRODUCTS IS AT THE HEART OF EVERYTHING WE DO; IT IS THE FOUNDATION OF TRUST WITH OUR CUSTOMERS."

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.

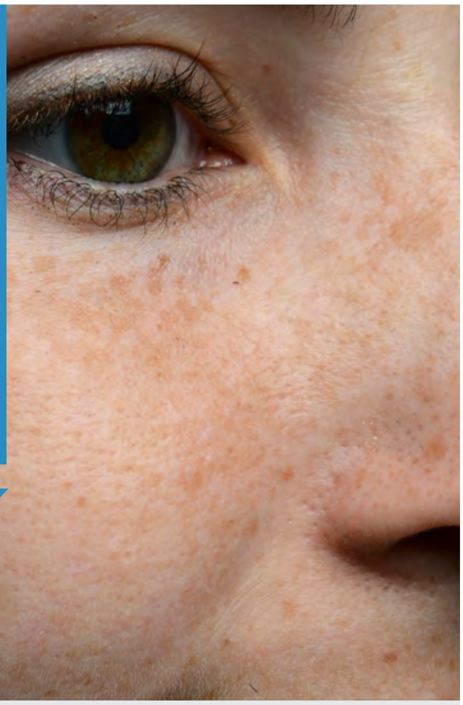
Delivering high quality products is at the heart of everything we do; it is the foundation of trust with our customers. We have dedicated global healthcare quality teams at each site, and all product development and production are subject to rigorous quality control measures.

We continue to invest in quality systems, resources and manufacturing infrastructure to meet the highest industry standards.

This year we have made significant investments in capacity, quality and account management to better serve our customers. 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.

CASE STUDY: LAUNCHING INTO THE HEALTH & BEAUTY MARKET

EuroMed has established confidence with customers, delivering products that live up to each customer's brand reputation.



EuroMed has enhanced Scapa Healthcare's core competencies and competitive advantage in delivering hydrocolloid-based turn-key solutions. A long-standing partner in the consumer wellness segment, EuroMed has established confidence with customers, delivering products that live up to each customer's brand reputation. By demonstrating superior service and encouraging trusted partners to expand their brands into new segments, the EuroMed acquisition has created inroads into new consumer wellness areas within the health and beauty segment.

CHALLENGE

Introduce a new platform for a global consumer brand's skin care portfolio.

OUTCOME

Leveraging EuroMed's proprietary hydrocolloid technology, a turn-key supply agreement was created to manufacture a new hydrocolloid consumer skin care product in a finished retail box. EuroMed's on-site research and development achieved the required performance characteristics to support the efficacy of the product. Clinical data and regulatory support were provided to aid the customer in launching the product. The extreme responsiveness of the site was realised when the first order was delivered in five weeks, a reduced lead time. The result was entry into the health and beauty section of retail and pharmacy stores around the US. The partnership continues to evolve as both teams work to develop a next generation product.

DRIVING SHAREHOLDER RETURNS THROUGH FOCUS ON ROCE

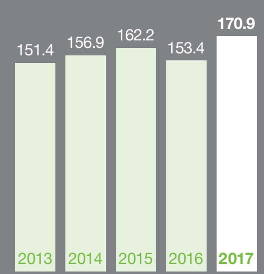
INDUSTRIAL

> "OUR APPROACH CONTINUES TO DELIVER SIGNIFICANT IMPROVEMENTS IN TRADING PROFIT AND MARGINS."

TROY ASBERRY
MANAGING DIRECTOR, INDUSTRIAL

REVENUE

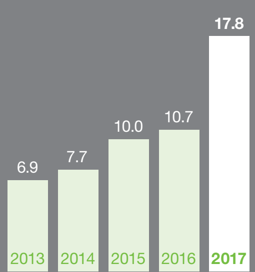
£170.9m



> **"WE REMAIN CONFIDENT THAT THERE IS FURTHER SCOPE TO IMPROVE THE BUSINESS."**

TRADING PROFIT

£17.8m



The Industrial business unit strategy is to drive improvements in Return on Capital Employed (ROCE) while focusing on servicing our customers in our chosen market segments; Automotive, Cable, Construction, Consumer and Specialty products. Our approach continues to deliver significant improvements in trading profit and margins, coupled with good revenue growth in specific areas against a difficult macro environment.

MARKET TRENDS AND OVERVIEW

Our Engineered Products business continues to serve our Automotive and Cable markets with bespoke solutions. The commercial teams partner with customers and give technical assistance, to design-in tailored adhesive solutions, which meet the customers' specific needs. We then follow the design-in work to the manufacturing locations where the product is used. We work within our global footprint, and with trusted partners, to provide products to customers in a timely manner.

In the Automotive segment, our core products are used in protection wraps for shipping and wire harnesses. We also have a unique specialty film business which serves the seat heating sub-segment. Our growth, particularly in Europe, with the Top 5, Tier 1 wire harness system manufacturers continues. In North America, our renewed focus has produced multiple contract wins at major Tier 1 suppliers for new platforms, with initial builds occurring in 2017. As we move beyond the protective and wire harness business we continue to see improved margins. Year-on-year growth continues in Europe and BRIC countries. New water-based low Volatile Organic Compound (VOC) products align with China's demand for environmentally-friendly products and continue to provide growth opportunities. Automotive OEMs expect a global footprint with a local presence. Our key products have been localised to meet this requirement and strengthen our supply position.

Our Cable segment products are primarily used in protection against abrasion and water ingress for power transmission and fibre-optic communication lines. The products are highly sought after because of their reliability in the field. As we move beyond protection and look at fire retardant and anti-rodent products, we continue to expand our margins. Our success depends on the ability to win future contracts and we secured several large contracts with major European subsea and high-voltage cable manufacturers. Creation of a new narrow thickness water blocking foam tape, which minimises signal losses in fiber-optic cables, is creating further opportunities with core customers. Our water-blocking marine tapes continue to help our customers produce in a more cost-effective manner while meeting the high standards required in the subsea industry. Our growth in revenue, margin and profit extends to almost every area of the globe.

Our Commercial Products business serves the Construction, Consumer and Specialty markets with application-specific consumable solutions.

The Construction segment, the main driver for the Commercial Products business, is largely dependent on macro trends, is seasonal and is driven by short lead times. We focus on the spring and summer months to ensure we are in a position to support the spikes in demand. Our Construction segment clearly stood out as a high performer as it doubled GDP growth rates in both Europe and North America. Traditionally, our large range of products is used globally by contractors, professionals and do-it-yourself enthusiasts. We have been working to increase our presence with OEMs while maintaining our relationship with retailers and distributors. We have seen this strategy pay dividends in Europe and North America.

The Consumer segment is led by our key retail brands. In France, where we manufacture the Barnier® brand, the tape is used by professionals in the construction business throughout Europe. In Canada, where our market leading Renfrew Pro Tape™ is manufactured, the new 'Feel the Game™' tagline is positioned to allow the hockey playing consumer to know our top quality tape products will give them the puck control and game-time confidence to achieve their best performance on the ice.

Our Consumer business in Europe and North America had mixed results, with some good highlights. In the year of celebrating our Centenary, we believe Barnier's 100 years in the market allows us an advantage in the professional usage arena. The global re-brand of our Renfrew Pro Tape™ portfolio to hockey players and retailers via online media has increased the pace of new retail partnership enquiries as well as greater interest in our new NHL branded hockey tape portfolio at the end user, retailer and professional team levels.

Our Specialty segment consists of a diverse portfolio of niche technologies and globally-dispersed clients which led to solid performance across top accounts and an understanding of the highest-value technologies and regions for future growth. Our Specialty team has leveraged several existing bonding and laminating technologies into new applications with industry-leading companies across the aerospace, technical packaging, white goods and military markets.

Our Commercial Products business saw significant growth in the top 20 accounts.

CASE STUDY: CLOSURE OF OUR SWISS FACILITY LEADS TO AN ANNUALISED PROFIT IMPROVEMENT OF £2.0M

The announcement to close our Rorschach, Switzerland facility was made in April 2015 with a closure date of November 2016. A 20-month transfer programme began for approximately 50 Scapa product groups in which we employed a phased and systematic validation and cutover plan including coating trials, regulatory approvals and customer validations. With special consideration to protect customer service, we invested in a substantial stock build to support us during this product and equipment transfer period.

Throughout this initiative, it was imperative that an appropriate employee communications and retention bonus scheme was implemented. The Swiss-based team remained highly professional and co-operative right until the closure date, with no industrial labour issues or Health and Safety issues reported during the closure period.

The vacant Swiss facility is proving to be an attractive opportunity for property developers and investors. Working with our own urban planners and the Rorschach town planning authorities, we jointly engaged in a process to maximise the development parameters for density and usage. This enabled us to generate a resilient re-zoning and planning timeline. The sale process is ongoing with a number of interested parties.

SUCCESS

This highly complex, global project was delivered on time and on budget. The project delivered significant profit and cash improvements plus several other benefits including:

- Further improved ROCE at the Industrial Business Unit, through increased equipment utilisation
- No industrial relations or Health and Safety issues at the Swiss facility
- Minimal disruption to our customers during the transition phase
- Strategic range reviews and use of tactical product rationalisation

BUSINESS MODEL AND STRATEGY

FOCUSED COMMERCIAL STRATEGY

- Market focus
- Customer segmentation
- Pricing optimisation
- Product range

SEGREGATE INDUSTRIAL ASSETS

- BU based structure
- Separate operational infrastructure
- Decentralised corporate structure
- Evolve to separate legal entity

CREATE COATING HUBS

- Create coating technology hubs
- Use existing assets and transfer products
- Optimise marginal profit to load existing assets

CREATE CONVERTING SPOKES

- Customer centric
- Mobile
- Flexible
- Lower investment

ACQUISITION STRATEGY

- Improve productivity and cost
- Enable footprint optimisation
- Mitigate capital investment
- Provide on-boarding opportunity

ROADMAP TO INDUSTRY AVERAGE MARGINS

Our strategy is to continue improving ROCE through a business model where we continually review our asset base and expense structure. We will deliver complementary offerings within and across the Industrial segments, driven by combining the needs of our strategic partners with Scapa's broad technical toolbox of chemistries, materials and global supply access. Our broad portfolio development across multiple markets leverages existing products, material and manufacturing knowledge into the hands of new and existing customers.

2016/17 PERFORMANCE

The Industrial performance exceeded expectations with regard to trading profit and margin. Our continued emphasis on improving return on assets, cost controls and engaging with our strategic partners lifted our performance. The business benefitted from the weakening of Sterling, the revenue growth of 11.4% being entirely because of currency. Revenue at constant currency declined by 0.3%, which included some business we chose not to continue after the closure of our Switzerland facility. Trading profit is where we made the most impressive increase of 66.4%, and 45.9% at constant currency. Margins improved for the seventh year in a row to 10.4% as the business continued to improve its operational efficiency and supply chain. The closure of the Swiss business in the second half delivered the expected benefits, with minimal disruption to customers.

OUTLOOK

Whilst 2016/17 saw an increase in margins to 10.4%, 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 the Swiss closure, and other opportunities are under evaluation. Whilst conscious of the macro challenges, the business will continue to build on current strategic relationships for growth, by focusing on sales of our high-value technologies portfolio and connecting market needs with the unique functional properties which our products offer. The addition of our new Industrial focused website, and two new consumer branded websites, will allow new and existing customers a greater understanding of, and access to, Scapa's broad product portfolio, market experience, technical expertise and application solutions. The addition of targeted market communications programmes, new prospect outreach campaigns and promotional initiatives will continue to drive momentum through increased customer and market awareness. We expect to continue to improve our performance by increasing our pipeline and focusing our efforts on improving returns.

> **"CONTINUED GROWTH IN REVENUE AND PROFITS AND INCREASED MARGINS IN BOTH OF THE BUSINESSES."**

G S Hardcastle
Group Finance Director

This was another excellent year for Scapa, with the Group once again delivering a strong set of results. We have seen continued growth in revenue and profits and increased margins in both of the businesses in which we operate; Healthcare and Industrial. The dividend has again been increased, by 14.3%, supported by higher earnings and good cash generation.

REVENUE AND TRADING PROFITS

Group revenue increased by 13.3% to £279.6m (2016: £246.7m); on a constant currency basis growth was 1.7%. Healthcare revenue was £108.7m (2016: £93.3m), an increase of 16.5% or 5.0% on a constant currency basis. Industrial revenue was £170.9m (2016: £153.4m), an increase of 11.4%, or (0.3)% on a constant currency basis.

The Group delivered another record year for trading profit, which increased by 37.1% to £29.2m (2016: £21.3m) or 18.2% growth on a constant currency basis. Trading profit margin improved to 10.4% (2016: 8.6%). Healthcare contributed £16.6m (2016: £14.0m), growing the margin to 15.3% (2016: 15.0%). Industrial contributed trading profit of £17.8m (2016: £10.7m), a very strong growth of 66.4% or 45.9% on a constant currency basis. Industrial trading profit margin improved to 10.4% (2016: 7.0%), achieving the double-digit margin target.

Total Group operating profit was £23.8m (2016: £11.7m) after charging pension administration costs of £0.7m (2016: £0.7m), intangible amortisation costs of £3.7m (2016: £2.3m) and exceptional costs of £1.0m (2016: £6.6m). Trading profit continues to be adjusted for these items to give better clarity of the underlying performance of the Group.

CURRENCY

Currency translation had a significant impact on both sales and profits in 2017 as a result of the weaker Sterling. In the year Sterling averaged US$1.32 (2016: US$1.50) and €1.20 (2016: €1.36). Currency translation increased sales compared to 2016 by £28.2m (11.4%) and trading profit by £3.4m (16.0%).

EXCEPTIONAL ITEMS

Exceptional income in the period was £0.3m (2016: £2.1m) and related to a pension liability management exercise for the Group legacy UK defined benefit scheme that concluded in the period.

Exceptional costs in the period were £1.3m (2016: £8.7m). This comprised costs of £0.7m (2016: £5.1m) associated with the closure of our Swiss site, including asset write-offs and retention payments, along with acquisition-related costs of £0.6m as a result of the acquisition of EuroMed in May 2016.

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 in line with the Group's exceptional items accounting policy disclosed in note 4 on pages 95 and 96.

ALTERNATIVE PERFORMANCE MEASURES

Scapa uses alternative performance measures such as trading profit, adjusted earnings per share, trading profit margin, and free cash flow, together with current measures restated at constant exchange rates, to allow the users of the financial statements to gain a clearer understanding of the underlying performance of the business, allowing the impact of restructuring and reorganisation activities and acquisition costs to be identified separately.

NET FINANCE COSTS AND GROUP FACILITIES

Net finance costs increased slightly to £2.0m (2016: £1.9m). Net cash interest payable increased to £1.2m (2016: £0.7m) following the acquisition of EuroMed and relates to the Group's committed £60m revolving facility which matures in June 2018. During the year the Group drew down upon the uncommitted £20m accordion facility to increase the revolving credit facility from £40m to £60m to fund its acquisition strategy. Non-cash interest reduced to £0.8m (2016: £1.2m) and relates to the Group legacy defined benefit pension plans.

TAXATION

The Group's tax charge of £4.2m (2016: £3.7m) includes a £5.6m charge (2016: £4.9m) on trading activities and a £1.4m credit (2016: £1.2m 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.

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 20.0% (2016: 23.8%), the same as the UK standard rate. Although the national rates applied to local profits are generally higher than the UK standard rate, the Group 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 (2016: £3.0m) or 9.6% of trading profit. Cash tax remains below the effective tax rate as the Group continues to use the significant brought forward losses. As the Group continues to increase its profitability, we expect to see cash tax payments becoming more in line with the effective tax rate as brought forward losses in certain jurisdictions are used up.

ACQUISITION ACTIVITY

The Group continues proactively to seek out complementary acquisitions to enhance the product and service offering to our customers.

On 23 May 2016, the Group acquired 100% of the share capital of EuroMed, a healthcare business specialising in hydrocolloid based wound care solutions, located in Orangeburg, New York, USA at a cost of US$35m (£28.3m). The company has innovative R&D capabilities that will further enhance and complement Scapa Healthcare's existing resources, whilst broadening and strengthening our internal intellectual property and increasing the turn-key value proposition for Healthcare.

"THE GROUP CONTINUED TO SEE HEALTHY CASH GENERATION."

EARNINGS PER SHARE

Adjusted earnings per share improved by 39.6% to 14.8p (2016: 10.6p) and basic earnings per share was 11.6p (2016: 4.1p).

CASH FLOW AND NET DEBT

The Group continued to see healthy cash generation and closing net debt was £16.1m (2016: £2.6m) following the acquisition of EuroMed.

Net cash generated from operating activities before exceptional items was £32.7m (2016: £19.0m) which represents 112.0% of trading profit. Net cash interest paid was £1.2m (2016: £0.6m). Income tax paid was £2.8m (2016: £3.0m) resulting in a net cash generated from operating activities of £25.1m (2016: £12.9m). The site consolidation programme continues and accounts for a significant portion of the net capital expenditure of £8.3m (2016: £9.8m) with the completion of the closure of the Rorschach site this year and transfer of operations to Valence.

A summary of the major movements is provided on page 30.

CASH FLOW

	2017 £m	2016 £m
Cash generated from operations	**32.7**	19.0
Cash outflow on exceptional items	**(3.6)**	(2.5)
Net capital expenditure	**(8.3)**	(9.7)
Net tax and interest	**(4.0)**	(3.6)
Free cash flow	**16.8**	3.2
Dividend paid	**(2.6)**	(2.2)
Exchange and other movements	**–**	(0.2)
Increase in net cash	**14.2**	0.8
Opening net (debt)/cash	**(2.6)**	(3.4)
Acquisition of EuroMed	**(27.7)**	–
Closing net debt	**(16.1)**	(2.6)

NET DEBT TO EBITDA

The Group revolving credit facility of £40m commenced in January 2014 and was increased to £60m following the use of our £20m 'accordion' facility in May 2016 to support the acquisition of EuroMed. The current facility goes through to June 2018, so the Company will be reviewing and extending the banking facilities in H1 of 2017/18. Current availability of finance is good and we expect to be able to refinance on favourable terms.

At the year end net debt was £16.1m (2016: £2.6m). The ratio of net debt to EBITDA was 0.45 times, giving significant headroom against our facility covenant of 2.75 times. The Group continues to operate well within its banking covenants with significant headroom under each ratio at year end.

	2017 £m	2016 £m
Trading profit	**29.2**	21.3
Depreciation	**6.2**	5.2
EBITDA	**35.4**	26.5
Net debt to EBITDA	**0.45x**	0.10x

DIVIDENDS AND CAPITAL ALLOCATION

The Board is recommending a 14.3% (2016: 16.7%) increase in the full year dividend with a final dividend of 2.0p (2016: 1.75p). This increased dividend balances both our cash performance in the period and our underlying confidence in our business with the need to support the future growth of the Group. Dividend cover (being the ratio of adjusted earnings per share to dividend per share) is 7.4 times (2016: 6.1 times). If approved at the Annual General Meeting the final dividend will be paid on 18 August 2017 to shareholders on the register on 21 July 2017.

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; regular returns to shareholders from our free cash flow; acquisitions to supplement our existing portfolio of business; and an efficient Balance Sheet appropriate to the Company's investment requirements.

CONTINUED PROGRESS ON 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.

Over recent years we have been very active in trying to address the cost and volatility of the legacy pension deficits. This strategy has continued into the current year where we have continued to see good take-up of the Flexible Retirement Options (FRO) that is now embedded into the UK scheme. In addition, we have undertaken a Pension Increase Exchange (PIE) exercise whereby a number of pension members agreed to exchange future non-statutory pension increases for an immediate one-off increase in their current pension, resulting in a reduction in the scheme's liabilities and a past service credit to the P&L of £0.3m (2016: £Nil) which was treated as exceptional income.

During the year the fair value of the scheme assets grew by £19.0m whilst the total liabilities of the schemes grew by £22.9m, resulting in an overall increase in the deficit of £3.9m which was driven by the decrease in the rate used to discount the scheme liabilities to 2.45% (2016: 3.45%) due to prevailing external market conditions. 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 £0.9m (2016: £1.0m); these contributions relate to leavers and not to a deficit repair schedule of payments. Pension administration expenses of £0.7m (2016: £0.7m) in relation to the pension schemes are reported through operating profit under IAS 19 (revised).

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. In 2012 we put in place a Central Asset Reserve (CAR) structure with the UK Trustee and continue to make contributions under this arrangement. In the year we made contributions of £3.7m (2016: £3.7m). The triennial pension scheme valuation date is 31 March 2017, but no changes to the current arrangements are expected. With a reasonable projection of investment returns, we have the intention of reaching a position where we can achieve buy-out of the pension scheme within the next ten years.

SHAREHOLDERS' FUNDS

Shareholders' funds increased by £22.7m to £100.4m (2016: £77.7m). Profit after tax increased to £17.6m (2016: £6.1m). The pension loss in the period was £6.9m (2016: £7.9m gain). Movements in equity that related to share issues, dividends and options reduced shareholders' funds by £0.7m (2016: £0.4m decrease). Currency movements on overseas asset values were favourable in the period £12.7m (2016: £2.5m). Tax items booked directly into reserves £Nil (2016: £0.2m decrease).

UK REFERENDUM ON EU MEMBERSHIP

As a global business with over 90% of the Group's activities outside of the UK, Scapa's trading is less likely to be affected by Brexit than many UK plcs, and current results are benefiting from the weaker Sterling. With so little information on the likely shape of future relationships between the UK, the EU and beyond, we are engaged in developing a deeper understanding of 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. Our key risks have been referenced in this annual report primarily on pages 12 to 18, in the Chief Executive's review and in the Audit and Risk Committee report on pages 47 to 50. 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 as described on page 68 and in the Viability Statement on page 19 and has been able to conclude the review satisfactorily.

G S Hardcastle
Group Finance Director
23 May 2017

ENABLING A HIGH-PERFORMING CULTURE

At Scapa, we are proud of the broad spectrum of experience, talent and skills that comes from our global workforce and understand that developing and managing our talent is essential in achieving our plans for growth.

Providing managers with effective tools to help drive value creation within their teams is essential in developing our employees as our competitive advantage.

DEVELOPING OUR KNOWLEDGE-SHARING PLATFORM

Last year, we developed our knowledge-sharing platforms to equip our leaders with the best information to make effective decisions.

In April 2016, we launched our in-house employee database, HR Connect, which provides instant access to real-time people data, to support effective people management across the full employee lifecycle. Our integrated Recruiting Excellence portal allows managers to conduct all recruitment activity online and interact with candidates, strengthening our capabilities to recruit and select high talent into the right roles within the business.

In addition, as we continue to drive a high-performing culture, our focus on rewarding and recognising value creation was a key driver in building a new in-house performance management platform tailored specifically to our performance management structure. Launched as part of HR Connect in October 2016, the online system is now available to over 500 of our leaders, managers and employees to record and manage their expectations throughout the year.

Furthermore, our new Salary Review tool, launched at the beginning of the year, allows managers to make informed decisions based on reliable external market data and internal performance reviews to incentivise and reward high performance appropriately.

INVESTING IN FUTURE LEADERS

We continue to develop and optimise our talent management programme with the aim of future-proofing the organisation by developing our people, defining our future talent requirements and identifying and preparing those with leadership potential for succession roles.

To enhance our capabilities to effectively link business requirements with individual development plans, we strengthened our talent development structure with the introduction of new opportunities. Leaders now have the opportunity to participate as a judge in our annual CEO Awards process, allowing them the chance to work with other leaders and gain insight into projects and learnings from across the Group. In addition, employees with leadership potential are invited to become a champion for our culture programme, 'The Scapa Way', to act as an ambassador for the programme and support local leaders on key implementation initiatives.

We also continue to leverage on our partnership with Harvard Business School offering the Harvard ManageMentor® programme to a further eleven leaders this year as part of their development, totalling 25 employees who have participated in the scheme since 2015 when it became a formal part of our talent management programme.

In addition, our Executive Mentoring programme was offered to a further six members of the Leadership Team, totalling 15 participants since it was formally offered as a development opportunity in 2016.

In July 2016, we launched our Succession Planning tool, which complements our talent development structure to complete the launch of our full talent management programme. We maintained talent assessment coverage of our leadership population at 100% and increased our assessment coverage of our management population to 12%.

25

EMPLOYEES HAVE PARTICIPATED IN OUR HARVARD MANAGEMENTOR® PROGRAMME

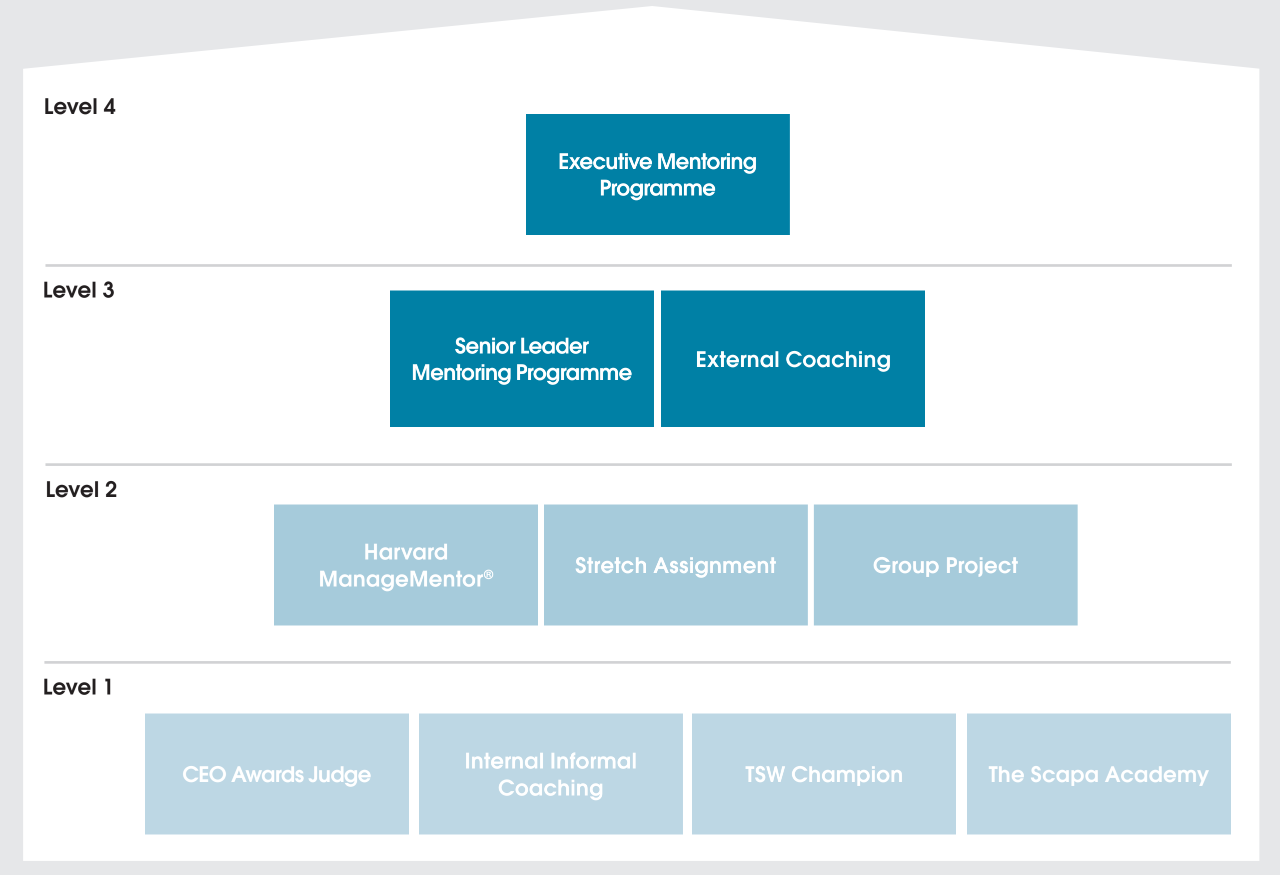
15

LEADERS HAVE PARTICIPATED IN OUR EXECUTIVE MENTORING PROGRAMME

65%

OF OUR SENIOR ROLES HAVE INTERNAL SUCCESSORS

TALENT DEVELOPMENT STRUCTURE



"...WE ARE PROUD OF THE BROAD SPECTRUM OF EXPERIENCE, TALENT AND SKILLS THAT COMES FROM OUR GLOBAL WORKFORCE..."

PROVIDING FLEXIBLE AND ACCESSIBLE LEARNING OPPORTUNITIES

In April 2016 we launched our online Learning Management System, 'The Scapa Academy', as the central tool for employees to access learning resources to support personal and professional development. The Academy also provides a central resource for managers in order to provide the same training opportunities to our operations' employees at sites. The launch of the Academy has allowed us to reach a broader population, with 63% of the targeted population actively accessing key Group-wide, local and functional training.

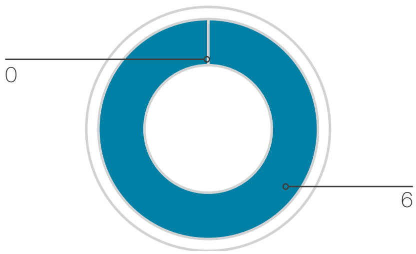
In February 2017, we launched our Code of Conduct training. Our annual business training programme is sponsored by the Board of Directors and is delivered to all employees across the business to refresh their knowledge on our business policies and procedures, and standards of behaviour, centred on our Guiding Principles. In addition to on-site training, this year's e-learning programme, launched in the Academy, enabled employees to complete the course to suit their schedules and commitments. We achieved 100% compliance, with all employees completing the training.

In support of our annual performance management cycle, we also provided workshops for employees at their local sites with refresher training on our performance management tool, RREs (Role, Responsibilities and Expectations). The workshops were designed to support managers and employees in developing value-creating objectives, aligned to our functional, business unit and Group visions.

GENDER RATIO

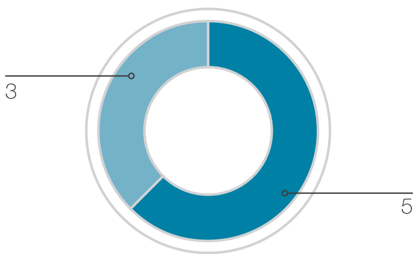
MAIN BOARD

- Male
- Female



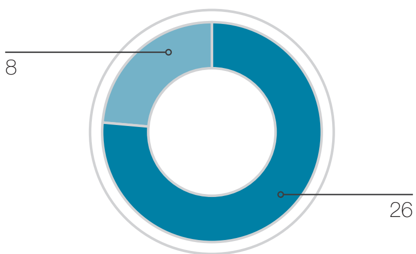
EXECUTIVE TEAM

- Male
- Female



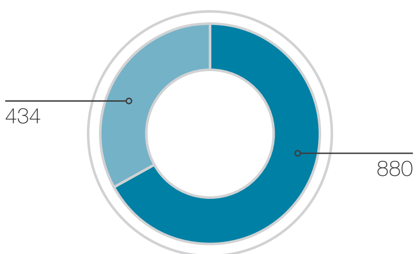
LEADERSHIP TEAM

- Male
- Female



TOTAL EMPLOYEES

- Male
- Female



SUPPORTING DIVERSITY

We value the diversity that comes from our people across our 20 sites globally. In line with upcoming Equality and Diversity legislation, we have completed a thorough analysis against our legal obligations and have taken actions to ensure we are 100% compliant, and are equipped to support the new legislation in 2018. We strive to create a more diverse workforce and aim to increase our effectiveness in attracting talent from diverse backgrounds by continuously reviewing and improving our attraction and recruitment programmes. Lastly, we will work with our leadership population to further strengthen our capacity to deliver high performance through embracing diversity.

DRIVING ENTREPRENEURSHIP

In the third year of our culture change programme, we have seen leaders and employees take ownership of 'The Scapa Way', adopting and driving our culture framework locally, and using the tools and standards driven at group level to reward and recognise achievements, manage performance and define ways of working.

The 'Living our Guiding Principles' recognition scheme is widely used across the business since its launch, and usage has increased since the online nomination form was launched in July 2016. The scheme provides the opportunity for any employee to recognise a colleague for demonstrating one or more of our Guiding Principles, across three levels; Bronze, Silver and Gold. Each award level carries a different weight in reward, with emphasis placed on awarding something of individual interest or value to the recipient. This approach is designed to incentivise individuals by offering more personal recognition and reward.

In July 2016 we launched a maturity matrix tool for employees to assess the implementation of the programme at a local level, and define their own actions to support further integration.

OVER

2,500

HOURS OF TRAINING COMPLETED

1,295

HOURS OF ONLINE TRAINING COMPLETED IN THE SCAPA ACADEMY

CREATING VALUE WITHIN OUR COMMUNITIES

Our global footprint allows us the opportunity to contribute to local communities across the world and we continue to seek opportunities to engage with and support charities, organisations and initiatives. Often, our partnerships come from introductions made by our own employees who have a special interest or connection to the causes.

In August 2016, our employees in Knoxville, USA, partnered with local charity The Water Angels, to support a back-to-school engagement drive, where the team donated new school supplies for children to begin the new school year. In December 2016, leaders from the site participated in the second annual 'Dress for Success' initiative at a local school, where over 35 community and business leaders, officials, parents and teachers visited the school dressed in their best business attire to greet and encourage students to strive for the best as they start their school day.

Employees at our site in Ramsbury, UK, supported local youth organisation SMASH Swindon Youth Mentoring by arranging a summer event for all mentors and young people who participate in the mentoring scheme. At Christmas, the team also donated gifts to a local women's refuge where many women and children live to escape abusive home lives.

Our team in Renfrew continue to support the Renfrew Victoria Hospital Foundation. The five-year commitment supports the 'I Choose RVH' campaign, launched in May 2014, dedicated to the major expansion and redevelopment of the community hospital over the next five to seven years. Employees at the site regularly hold fund raisers, where funds are matched by the company, and they are well on track to reach their target of CAD$300,000.

At a Group level, we continue our partnership with The Hallé, who offer concerts, recordings, radio broadcasts and educational outreach programmes to local, national and international communities.

CASE STUDY – EMPLOYEE INTERNAL PROMOTION

Gwen Aubry, Director of Operations Excellence.

Gwen joined Scapa in 2008, in the role of Supply Chain Manager.

"In my first role with Scapa, I was responsible for the full supply chain process, from production planning and logistics, to warehousing, shipping and procurement. Two years after joining, I was given the opportunity to enhance my experience with further qualifications, and applied to study a postgraduate course in Supply Chain and Operations Management. Scapa supported me through the course, allowing me time to attend lessons and supporting me with the course fees. When I had gained my master's degree, I moved into the role of Deputy Site Manager and took on additional responsibilities managing projects, which stretched my skills and provided me with new challenges. When the role of Site General Manager became available, Scapa considered me for the role and ultimately offered me the opportunity. My most recent career move with Scapa was to Director of Operations Excellence in the Group function, where I lead change projects and drive our standards of excellence across sites.

I have been with Scapa for almost nine years now, and during my time here I have been offered some valuable opportunities to learn and develop my career. Being in a global company, I have had the chance to work with colleagues around the world, and develop skills working with a diverse range of cultures, languages and working practices. In my roles I have always felt like I could make a difference, and our culture means that we can apply a level of entrepreneurship to achieve our goals, something which we continue to do and which makes me feel very proud to work for Scapa."

ENVIRONMENT, HEALTH AND SAFETY

Scapa's overriding commitment in the workplace continues to be the health, safety and welfare of its employees and all those who visit the Company's operations. This commitment extends to those who carry out work on our behalf.

Identifying and complying with applicable legislation underpins all our health and safety activities and improvement initiatives.

The Board provides environmental, health and safety leadership and the Chief Executive has primary responsibility for setting the principal objectives within which the detailed policies operate. The Chief Operating Officer, supported by the Group EH&S Director ensure adequate resource is available to successfully deploy and measure operational health, safety and environmental improvement plans.

Performance

Over the last 12 months we have focused our resource and initiatives on delivering improvements in three key areas:

1. Increasing the level of EHS involvement across the entire organisation
2. Improving the level of accountability and expectation for health and safety continuous improvement
3. Strengthening our processes and systems for identifying and complying with global legislation

Although improvement has been achieved and sustained, we believe the EHS continuous improvement cycle is a journey. Initiatives to improve involvement and accountability will continue over the next 24 months to help us to further reduce our accident potential.

Headline achievements

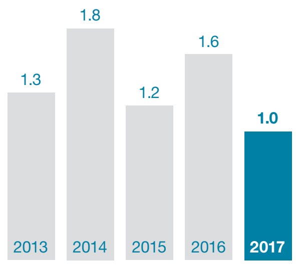
- 37.5% reduction in our Lost Time Injury Frequency Rate
- Identified over 6,100 safety opportunities via our Stop, Think & Ask programme
- Completed over 5,000 corrective actions and improvements
- Ghislarengo achieved OSHAS 18001
- Ramsbury achieved ISO 50001

- Completed the installation of LED lighting at our Dunstable and Ashton locations
- Further embedded our Stop, Think & Ask programme
- Five locations achieved greater than one year without a Lost Time Accident
- Improved our energy utilisation by 9%
- Completed external third party legal compliance assessments across our main operating locations
- Invested over £275,000 in EHS improvements
- Completed seven internal governance and compliance audits against the Scapa management system and compliance expectations

Our Lost Time Injury Frequency Rate has reduced when compared with previous years. The Scapa expectation is that all accidents are preventable. However, we recognise that accident performance alone does not provide a complete picture of our health and safety performance. Increased understanding of our health and safety risk profile, coupled with the pro-active initiatives and programmes we have implemented, will ensure a sustained reduction in Lost Time Accident occurrence.

LOST TIME INJURY FREQUENCY RATE

LTIFR (per 200,000)



Environment

Scapa recognises the importance of world class environmental stewardship. To help us deliver on this expectation, we apply a structured approach to assessing, maintaining and reducing our environmental impact by:

- Implementing and maintaining environmental and energy management systems based on international standards
- Measuring and monitoring consumption and emissions, and setting targets to improve performance
- Conducting environmental impact assessments and developing site improvement plans
- Providing training to employees and engaging with customers and suppliers to raise environmental awareness
- Identifying and complying with all relevant environmental laws and regulations

Given the diversity of Scapa's international operations, local management drives environmental performance in accordance with Group policy. Specific site-level objectives have been established to ensure compliance with local legislative and external management system requirements.

Scapa uses a variety of indicators to monitor environmental performance, but the following core impacts are identified for the Group as a whole:

- Greenhouse gas emissions from energy use, including electricity, natural gas and heating fuel
- Use of resources
- Generation and disposal of waste

The following assumptions, methodology, definitions and data validation processes have been used to report the Group's key environmental performance indicators in 2016/17. The reported data complies with the Companies Act, for the Mandatory Reporting of Greenhouse Gases.

- Boundary scope: Data from all locations over which the Company has operational control is collected and measured
- Primary data sources: These include billing, invoices and other systems provided by the supplier of the energy to communicate energy consumption
- Secondary data sources: These include the Company's internal systems used to record and report the above consumption data
- Internal data validation: The process used to review and compare primary data with secondary data
- Conversion factors: The 2016 Government GHG Conversion Factors for Company Reporting, published by the UK Department for Environmental Food & Rural Affairs (DEFRA), are used when converting gross emissions. The applicable country conversion factors published in this guidance have been applied to operations outside of the UK
- Intensity metrics: Total carbon emissions per £m of revenue and direct labour hours worked are used to calculate the Company's intensity metrics

	Tonnes of CO_2 e (Gross)		
	2015	2016	2017
Scope 1	13,407	14,209	**13,008**
Scope 2	18,715	19,915	**18,915**
Total gross emissions	32,122	34,124	**31,923**
Total carbon emissions per £m revenue	136	138	**114**

OUTLOOK

To support Scapa's philosophy of continuous improvement the following headline objectives have been established for 2017/18:

- Execute in full, capital and revenue improvement projects valued at £0.3m
- Achieve certification to ISO 50001 at our Ghislarengo and Renfrew operations
- Certify the Scapa Group and Head Office to OSHAS 18001
- Extend the above OSHAS 18001 scope to our Ashton, Dunstable and Renfrew operations
- Achieve a corrective action closure rate of 98%
- Reduce our accident rate by a minimum of 25% against prior year
- Deliver site level annual improvement plans to 98% adherence to plan
- Continue to embed the Scapa physical systems and compliance expectation and audit process

SUPPLY CHAIN CORPORATE RESPONSIBILITY

We have a robust framework of corporate responsibility policies, including our Human Rights Policy, our Code of Conduct and sustainability approach.

Scapa has invested time and resources in a project we called “S.P.I.R.E.” (Supplier Performance Improvement & Requirements Evaluation) which will reinforce and supplement Scapa’s existing procedures and best practice methods of supplier evaluation. S.P.I.R.E. has been rolled out on a pilot basis to a number of global suppliers, with a view to wider global rollout during the next three to six months. The global procurement teams have adopted a consistent, robust, documented and interactive supplier evaluation, selection and ongoing assessment approach which includes detailed due diligence and supplier certification in respect of many compliance issues including slavery and human trafficking. Subsequent disclosure statements will include an update of the S.P.I.R.E. project and the effect of its use throughout the business.

Human rights

We define human rights as basic rights that allow individuals the freedom to lead a dignified life, free from fear or want, and free to express independent beliefs.

We acknowledge the responsibility of businesses to respect human rights, by acting with due diligence to avoid infringing on the rights of others and to address any adverse impacts in which they are involved, in line with the UN Guiding Principles on Business and Human Rights (the Ruggie Framework).

Our aim is to ensure that we adhere to international human rights standards, both through our own actions and by association with business partners and suppliers, by providing a framework of fundamental principles of human rights by which Scapa will be guided in the conduct of its business. Scapa sources materials (including fabrics, paper, rubber, films and chemicals) from a wide variety of suppliers around the world that range from large international organisations to specialist local companies.

Scapa has made a disclosure in accordance with the UK Modern Slavery Act 2015 which incorporates the requirements under the California Transparency in Supply Chains Act 2010. This can be found on the Scapa Group website at www.scapa.com/en/Modern Slavery Act.

Code of conduct and sustainability approach

Scapa aims to act with integrity and professionalism with all suppliers and to support them to help achieve a responsible and sustainable approach across the supply chain. We recognise that some smaller suppliers may find it challenging to adopt the practices expected. In such cases, Scapa will adopt a risk-based approach to ensure that their contribution to its responsibility and sustainability agenda progresses in line with their capabilities.

Our supply chain corporate responsibility policy statement is founded upon this belief. For suppliers, Scapa will look to ensure that:

- suppliers’ products comply with both their own product legislation and that of any countries for which the product is ultimately destined
- human rights responsibilities in line with the UN Ruggie Framework are conformed to
- employee working conditions of our suppliers are safe and hygienic, with working hours that are not excessive, and at least the legal minimum wage is paid for the location
- employees are not subject to harassment or discrimination
- materials used during the manufacturing process do not create any adverse environmental impacts
- materials purchased by suppliers are sourced from responsible producers, with appropriate traceability systems
- products supplied to Scapa do not lead to any adverse impacts on the health of any users in the supply chain
- consideration is given to the environmental impacts of the products supplied (including packaging and transport to Scapa manufacturing locations)
- suppliers have ethical business practices in place, including those relating to the avoidance of bribery or corruption

For supply chain management, Scapa will ensure that:

- procurement teams segment their suppliers based on spend and by responsibility and sustainability risk
- certain suppliers receive, complete and return the self-assessment responsibility and sustainability questionnaire, together with copies of Scapa’s Code of Conduct and anti-bribery guidance
- responsibility and sustainability development plans will be agreed with larger suppliers, identifying mutual benefits
- training on responsibility and sustainability matters will be provided to each procurement team

This Strategic Report is approved.

By order of the Board

G S Hardcastle
Group Finance Director and
Company Secretary
23 May 2017

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

"WE ACKNOWLEDGE THAT GOOD GOVERNANCE IS FUNDAMENTAL TO THE SUCCESS OF THE GROUP."

L C Pentz
Chairman

The statement of corporate governance practices set out on pages 38 to 69, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of Scapa Group plc.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Scapa Group plc's Corporate Governance Report for the year ended 31 March 2017. This report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the UK Corporate Governance Code ('the Code').

Having joined the Board as Chairman-Designate in January 2017 and assumed the role of Chairman at the end of March 2017, I have observed the Board's commitment to maintaining the highest standards of corporate governance throughout the Group. The Board is fully supportive of the principles laid down in the Code and continues to review its systems, policies and procedures that support the Group's sustainability and governance practices. This governance leadership has guided the Company through another successful year.

We acknowledge that good governance is fundamental to the success of the Group and it is woven into the strategy and decision-making processes throughout the business. The tone from the top is cascaded from the Board to the Executive Team and out to the business.

The composition of the Board is routinely assessed to ensure that we have a diverse balance of skills, experience and knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and rigorous procedures are in place to attract, assess and develop Board and Executive Team talent. The Board embraces widening diversity in terms of background, ethnicity, age, experience, gender and perspective and it ensures that all appointments are made on merit alone. As reported in last year's Annual Report, David Blackwood was appointed as an independent Non-Executive Director on 1 May 2016 and currently chairs the Audit and Risk Committee. In December 2016, James Wallace announced his intention to retire as Chairman at the end of March 2017 and I assumed the role of Chairman at that time, having been appointed Chairman-Designate on 3 January 2017. On behalf of the Board, I would like to thank James for the enormous contribution he has made to the success of Scapa over his ten-year tenure and we wish him well for the future.

As in prior years, an internal evaluation of the Board and each of its Committees has been undertaken. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee, and that all Directors properly discharge their duties. The Board also identified areas to focus on improvement in the coming year. In line with best practice, consideration is being given to undertaking next year's evaluation using an external consultant.

In January 2016, the Board took the decision that all Directors be proposed for election or re-election at each Annual General Meeting of the Company. Richard Perry, Senior Independent Director, has been in his role since May 2006 and has indicated a willingness to remain on the Board for a further term subject to shareholder approval. Richard is a highly valued member of the Board and we wholeheartedly support his continued tenure.

The current Directors' Remuneration Policy ('Policy') was first approved by shareholders at our 2014 Annual General Meeting, although, as an AIM listed Company, Scapa is not required to have a Directors' Remuneration Policy. After three years under the current arrangements, Scapa will be submitting its Directors' Remuneration Policy for shareholder approval at the 2017 Annual General Meeting. Further details of the revised policy can be found within the Remuneration Report on pages 56 to 60.

Details of the Annual General Meeting to be held on 18 July 2017 are included in this report and I look forward to meeting shareholders at that meeting.

L C Pentz
Chairman
23 May 2017

"BOARD SUCCESSION PLANNING IS AN IMPORTANT ELEMENT OF OUR CORPORATE GOVERNANCE REGIME."

THE RIGHT MIX OF SKILLS AND EXPERIENCE

L C PENTZ
Chairman

Appointment to the Board

Larry Pentz joined the Board as Chairman-Designate in January 2017 and was appointed Chairman on 31 March 2017. Larry is also Chairman of the Nominations Committee.

Experience

Larry is currently also Chairman of Victrex plc, a position he has held since 2014 and he has been on the Victrex Board as a Non-Executive Director since 2008. Larry was an Executive Director of Johnson Matthey plc from 2003 to 2016 and has over 30 years' service within multi-national businesses in a variety of operational and general management positions.

Committee Membership

1 2 3

H R CHAE
Group Chief Executive

Appointment to the Board

Heejae Chae joined the Board as Executive Director in September 2009 and subsequently became Group Chief Executive in November 2009.

Experience

Prior to joining Scapa, Heejae was Group Chief Executive of Volex Group plc. He was previously the Group General Manager, Radio Frequency Worldwide, for Amphenol Corporation. He spent the early part of his career in finance at The Blackstone Group and Credit Suisse First Boston before moving into industry. Heejae is currently a Non-Executive Director of the Hallé Concerts Society and a member of the Board of Overseers of the Boston Children's Hospital.

G S HARDCASTLE
Group Finance Director and Company Secretary

Appointment to the Board

Graham Hardcastle joined the Board in February 2016 as an Executive Director and assumed the role of Group Finance Director on 1 May 2016. He was appointed Company Secretary on 3 November 2016.

Experience

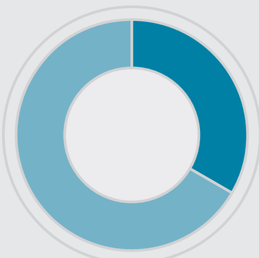
Graham is a qualified Chartered Accountant. Prior to joining Scapa, Graham was Group Finance Director at Bridon International and has held a number of senior finance positions at Smith & Nephew plc and Smiths Group plc.

COMMITTEE MEMBERSHIPS

1 Nominations Committee
2 Remuneration Committee
3 Audit and Risk Committee

BOARD COMPOSITION

- Executive 2
- Non-executive 4



LENGTH OF TENURE OF DIRECTORS

Directors	No.
Less than one year	1
One to three years	3
Three to six years	–
More than six years	2

R J PERRY
Non-Executive Director

Appointment to the Board

Richard Perry joined the Board in 2005 and was appointed Senior Independent Director in July 2006.

Experience

Richard was Group Finance Director at Fenner plc from 1994 until his retirement in March 2015. He was formerly a senior audit partner with Price Waterhouse.

Committee Membership

1 2 3

M T SAWKINS
Non-Executive Director

Appointment to the Board

Martin Sawkins joined the Board in January 2015 and is Chairman of the Remuneration Committee.

Experience

Martin is currently a Non-Executive Director for Wincanton plc (since 2012) and Africa Exclusive Ltd (since Sept 2016). Martin was Group HR Director of Rentokil Initial Plc from 2008 until 2015. He has operated within both the plc and private equity environment and is a former HR Director of HomeServe plc, The AA Ltd and Centrica Home and Road Services. Martin graduated with a BSc (Hons) in Physics from Southampton University.

Committee Membership

1 2 3

D C BLACKWOOD
Non-Executive Director

Appointment to the Board

David Blackwood joined the Board in May 2016 and is Chairman of the Audit and Risk Committee.

Experience

David is currently a Non-Executive Director of Dignity Plc and was previously Group Finance Director of Synthomer plc, a position from which he retired in May 2015. Prior to that, he was Group Treasurer at Imperial Chemical Industries plc ('ICI') and held a number of senior positions within ICI over a period of 22 years. David is a Chartered Accountant and a Fellow of the Association of Corporate Treasurers.

Committee Membership

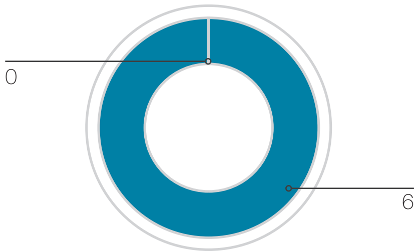
1 2 3

CORPORATE GOVERNANCE

GENDER RATIO

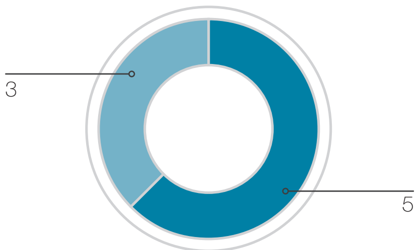
MAIN BOARD

- Male
- Female



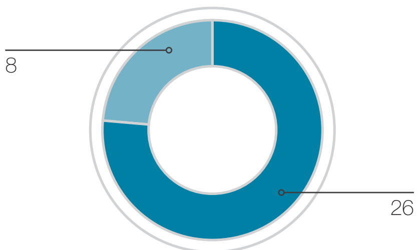
EXECUTIVE TEAM

- Male
- Female



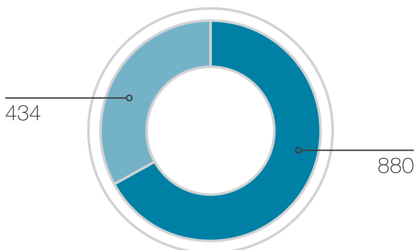
LEADERSHIP TEAM

- Male
- Female



TOTAL EMPLOYEES

- Male
- Female



BOARD COMMITTEES

Nominations Committee

The Nominations Committee is responsible for Board recruitment and succession planning, to ensure that the right skill sets are present in the Boardroom.

Remuneration Committee

The Remuneration Committee is responsible for determining all elements of remuneration for the Executive Directors and for reviewing the appropriateness and relevance of the Group's remuneration policy.

Audit and Risk Committee

The Audit and Risk Committee's main responsibilities are to monitor the integrity of the Group's financial statements, to review internal and external audit activity and to monitor the effectiveness of risk management and internal controls.

Compliance statement

A detailed review of the Company's compliance with the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in September 2014 ('the Code') has been undertaken. The review took into account the FRC Guidance on Board Effectiveness issued in March 2011, the FRC Guidance on Audit Committees issued in September 2012 and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The Company has complied with all relevant provisions of the Code throughout the year ended 31 March 2017 and through to the date of this report. The Group's internal controls are summarised on page 46.

LEADERSHIP

The role of the Board

The Board is responsible for the long-term success of the Group and is ultimately accountable for the Group's strategy, risk management and performance. The Board's primary roles are to provide entrepreneurial leadership to the Group within a framework of prudent and effective control which enables risk to be assessed and managed, and to set the Group's strategic objectives and to ensure that the necessary resources are made available so that those objectives can be met. The Board also sets the Group's values and standards and is responsible for ensuring that its obligations to its shareholders and other stakeholders, including employees, suppliers, customers and the community, are understood and met.

The Board currently comprises two Executive Directors, a Non-Executive Chairman and three Non-Executive Directors. During the Group Chairman's handover period from James Wallace to Larry Pentz between 3 January and 31 March 2017, the Board had a Non-Executive Chairman and a Non-Executive Chairman-Designate. The names, biographical details and Committee memberships of the current Board members are set out on pages 40 and 41 of this report.

Division of responsibilities of the Chairman and Chief Executive

There is a clear division of responsibilities between the Chairman and the Chief Executive. Each role has its own formal written description of specific responsibilities.

The Chairman's principal responsibility is to lead the Board in the determination of its strategy and the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness by facilitating full and constructive contributions to the development and determination of the Group's strategy and its overall commercial objectives from each member of the Board. The Chairman is responsible for promoting the highest standards of integrity, probity and corporate governance throughout the Group. The Chairman manages the relationship with shareholders in relation to governance matters and regularly considers the composition and skill sets of the Board through evaluation. The Chairman sets the Board agenda and, with the Company Secretary, ensures that the Directors receive accurate, clear, comprehensive and timely information so that the Board is properly informed prior to each meeting in order that there can be appropriately thorough consideration and debate of the issues at Board and Committee meetings.

The Chief Executive is directly responsible for all executive management matters affecting the Group. His principal responsibility is ensuring achievement of the agreed strategic objectives and leadership of the business on a day-to-day basis. The Chief Executive is accountable to the Board for the financial and operational performance of the Group. The management structure of the business under the Chief Executive's leadership is set out in the diagram below.

The role of the Non-Executive Directors
The Non-Executive Directors bring independence and a wide range of experience to the Board. Their role is to help develop strategy and to promote constructive debate and challenge in Board discussions. Richard Perry is currently Senior Independent Director. The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors as necessary, as well as carrying out the evaluation of the Chairman. He also acts as a line of contact for shareholders if they have concerns which are not appropriate for discussions through the Chairman, Chief Executive or Group Finance Director. Richard's tenure exceeds the nine years recommended by the Code but the Board has determined that he remains independent.

The role of the Company Secretary
The Company Secretary advises the Board through the Chairman on all governance matters. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. In accordance with the Company's Articles of Association and the schedule of matters reserved for the Board, the appointment and removal of the Company Secretary is a matter for the whole Board.

Operation of the Board
The Board held six formal meetings during the fiscal year 2017 and there were five telephone update calls and a number of ad hoc conference calls during the year to deal with matters as required. Attendance at each meeting is set out in the table on page 44. The Company Secretary was in attendance at all Board meetings as well as at all telephone updates and conference calls. The Board held its annual strategy meeting in the US in September 2016, whilst visiting the Windsor operations and the recently acquired EuroMed site.

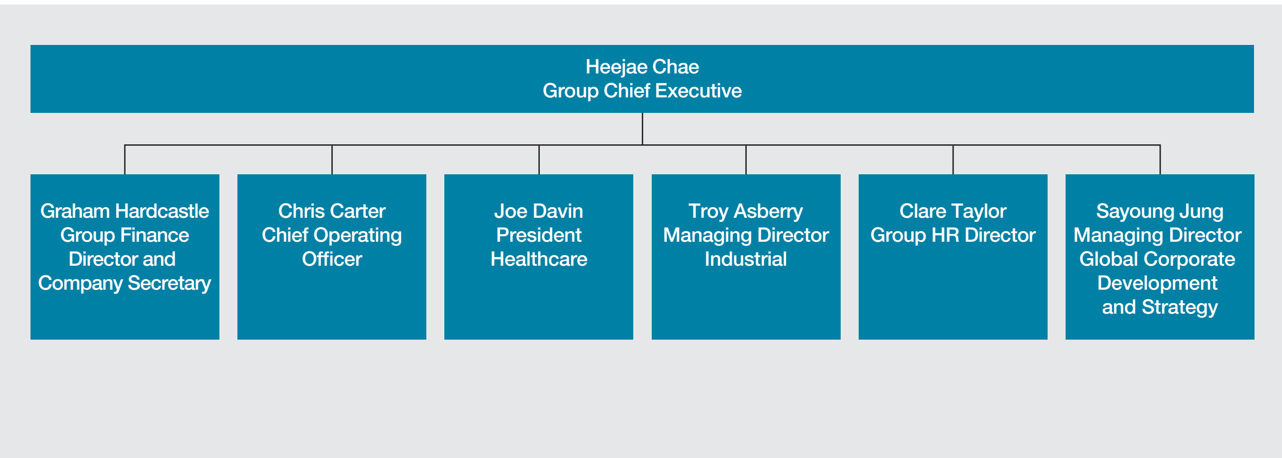
The provision of relevant, up-to-date information is fundamental to the effective leadership delivered by the Board. Reports from the Executive Directors are circulated in advance of each Board meeting and focus on major operational matters. Reports are also produced by the Chief Operating Officer and the Company Secretary on key business areas for each Board meeting. To ensure that the Directors are kept fully informed on the status of the business, presentations from across the Group's divisions and functions are made to the Board on a regular basis. During the year, overviews were presented by each member of the Executive Team. The Board also received presentations from senior managers on commercial and EHS matters as well as risks affecting the Group, and met with the Group's broker/NOMAD and legal advisers. Other business undertaken by the Board during the year includes: review of the culture programme implemented throughout the Group to promote entrepreneurship and value creation; approval of the acquisition of EuroMed Inc; approval of the annual budget; review of governance issues affecting the Company; review of the corporate structure of the Group; review of the manufacturing footprint of the Group; succession planning; and assessment of the corporate risk map. Where appropriate, certain matters were delegated to a Committee of the Board.

Governance across the Group
All areas of the Group are required to meet high standards of governance and controls. The Group's operations are reviewed by the Executive Team through regular reports, meetings and presentations. The Group Risk & Assurance team performs regular audits of governance and control standards, reporting its findings to the Audit and Risk Committee of the Board.

BOARD COMMITTEES
The Board has delegated certain responsibilities to the following Board Committees:

- the Audit and Risk Committee
- the Nominations Committee
- the Remuneration Committee

EXECUTIVE TEAM STRUCTURE
The Group Chief Executive is supported by the Group's Executive Team, whose structure is set out below:



The reports of the Audit and Risk Committee, Nominations Committee and Remuneration Committee are set out on pages 47 to 67.

Each Committee operates under clearly defined Terms of Reference which are reviewed annually and any proposed changes to those terms are referred to the Board for approval. Each Committee reports to the Board via the Chairman of the Committee. The Board has provided its Committees with sufficient resources to undertake their duties, including access to the Company Secretary and external advisers, where appropriate.

MATTERS RESERVED FOR THE BOARD

In accordance with the UK Corporate Governance Code, there is a formal schedule of matters reserved for the Board's decision which is monitored by the Company Secretary and reviewed annually by the Board. Specific matters reserved for the Board's consideration include:

- setting the Group's strategy
- approving the Group's annual operating plan
- reviewing operational and financial performance
- approving major acquisitions, divestments and capital expenditure
- approving changes to governance and business policies
- reviewing material contracts and contracts not in the ordinary course of business
- setting dividend policy and recommending dividend payments
- appointing the Group's external and internal auditors
- reviewing the Group's systems of risk management and financial controls, including effectiveness of internal audit
- ensuring that appropriate management development and succession plans are in place
- reviewing the environmental, health and safety performance of the Group
- reviewing the effectiveness of the Board and its Committees
- appointing and removing the Company Secretary

The Board delegates matters not reserved for the Board concerning the management of the Group's business to the Executive Team.

BOARD EFFECTIVENESS

Composition and independence of the Board

During the year under review, the composition of the Board varied as a result of appointments and retirements but at all times the Board comprised a Chairman, at least two Executive Directors and at least three Non-Executive Directors. Graham Hardcastle was appointed as Group Finance Director on 1 May 2016 following Paul Edwards' retirement from the post and David Blackwood was appointed as an independent Non-Executive Director, also on 1 May 2016. Mike Buzzacott retired as an independent Non-Executive Director on 31 May 2016.

Following the notice of retirement of James Wallace at the end of the financial year, Larry Pentz was appointed Chairman-Designate on 3 January 2017 and assumed the role of Chairman of the Board and Chairman of the Nominations Committee with effect from 31 March 2017. Larry is currently also Chairman of Victrex plc, a position he has held since 2014 and he has been on the Victrex Board as a Non-Executive Director since 2008. Larry was an Executive Director of Johnson Matthey plc from 2003 to 2016 and has over 30 years' service within multi-national businesses in a variety of operational and general management positions.

The Code requires that at least one-half of the Board should be independent Non-Executive Directors and this requirement has been met throughout the year. All Non-Executive Directors are considered by the Board to be independent and free from any relationship or circumstance that could affect independent judgement.

The Board currently comprises a Non-Executive Chairman, three Non-Executive Directors and two Executive Directors. Their names, biographical details and Committee memberships are set out on pages 40 and 41 of this report.

ATTENDANCE AT MEETINGS

The following table sets out attendance of each Director at Board meetings held during the year:

	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee
Number of meetings	6	4	6	5
James Wallace (Chairman)	6	4	6	5
Larry Pentz* (Chairman-Designate)	2	1	2	2
Heejae Chae (Group Chief Executive)	6	4	5	5
Graham Hardcastle (Group Finance Director)	6	4	3	3
Richard Perry (Senior Independent Director)	6	4	6	5
Martin Sawkins (Non-Executive Director)	6	4	6	5
David Blackwood (Non-Executive Director)	6	4	6	5
Michael Buzzacott** (Non-Executive Director)	1	1	1	1

* Appointed Chairman-Designate 3 January 2017 and Chairman 31 March 2017
** Retired 31 May 2016

Although not members of the Committees, the Executive Directors attend meetings of the Audit and Risk Committee, Remuneration Committee and Nominations Committee as invited attendees, when appropriate.

The skills and experience of the Non-Executive Directors are wide and varied and they provide constructive challenge in the Boardroom. The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will optimise the quality of deliberations and decision-making. We consider diversity in the composition to be an important factor in the effectiveness of the Board and, in searching for prospective Directors, we take into account the existing skillset of the Board and areas we have identified for development to meet future needs and address succession planning.

Board diversity

The Board recognises the importance of gender diversity throughout the Group and is committed to supporting women in achieving positions in senior management. Our Executive Team, details of which are set out on page 7, currently comprises seven positions, two of which are held by women. Further information on the total female representation in our workforce is set out in the Sustainability Report on page 34.

We also recognise the importance of a Board diverse in all respects and our Board comprises members with a wide range of experience and backgrounds. The Board published a statement on Board diversity, which is set out on page 52 of this report and also in the Corporate Governance section of our website (www.scapa.com/en/CorporateGovernance). Further information on our HR policies is set out on page 69.

Subject to the Company's Articles of Association, the Companies Act 2006 and satisfactory performance, Non-Executive Directors are appointed for an initial term of three years. Before the third and sixth anniversaries of appointment, the Director discusses with the Board whether it is appropriate for him or her to serve a further term of three years. The appointment of any Non-Executive Director who has served more than nine years is subject to annual review by the Board. The letters of appointment for the Non-Executive Directors set out the number of days expected to be required to perform their duties. Additional time commitments are expected from those Non-Executive Directors who individually serve as the Chairman of any Committee of the Board.

Scapa recognises that Non-Executive Directors have other business interests outside the Company and that other directorships bring benefits to the Board. All existing directorships are included in the biographical details of the Directors on pages 40 and 41. Non-Executive Directors are required to obtain approval from the Chairman before accepting any further appointments.

The Non-Executive Directors meet formally without the Executive Directors at least once a year, and also meet informally on other occasions.

Election/re-election

Larry Pentz was appointed to the Board as Non-Executive Chairman-Designate on 3 January 2017 and assumed the role of Non-Executive Chairman on 31 March 2017. His appointment will be subject to formal approval by shareholders at the Annual General Meeting to be held on 18 July 2017. The Board has voluntarily adopted a policy that all Directors wishing to remain in post will propose themselves for re-election annually.

Further information on the appointment and replacement of Directors is given in the Directors' Report on page 69.

Conflicts of interest

Under the Companies Act 2006, a Director must avoid a situation where a direct or indirect conflict of interest may occur. The Company has in place procedures to deal with any situation where a conflict may be perceived.

The Nominations Committee annually reviews and considers the interests and other external appointments held by the members of the Board. The Directors have a continuing duty to inform the Board of any potential conflicts immediately so that they may be considered. There is a formal register of conflicts in which any authorised conflicts of interest would be recorded. During the year, none of the Directors declared a conflict of interest.

The Board has specifically considered the other appointments of the Directors, details of which are included in their biographies on pages 40 and 41, and has confirmed that each Director is able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

Board performance and evaluation

In accordance with the UK Corporate Governance Code, the Board has established a formal process for the rigorous evaluation of the performance of the Board, its Committees and individual Directors on an annual basis. This year the evaluation was conducted by the Chairman –designate. Interviews were conducted with each Board member using a template of topics on a range of matters including the balance of skills and experience of the Board, independence of Directors, diversity, and relations between the Executive Directors and Non-Executive Directors. Each discussion followed its own course with different emphases emerging. No questionnaires were employed in this evaluation. The outcome was presented to the Board and discussed openly and fully at the March 2017 Board meeting. The overall assessment of the Board and each of its Committees and members was that the Board continues to function effectively to a high standard, with all members contributing fully and constructively. A consistent message from the evaluation was the importance to continue to improve our discussions with emphasis on the areas of strategic review, succession planning and risk management as we move into the next year. The Board will also consider using a third party external reviewer for next year's Board evaluation.

The Remuneration Committee reviews the performance of the Executive Directors. The Chairman reviews the performance of the Non-Executive Directors and Board Committees, with the exception of Committees chaired by the Chairman. The Senior Independent Director reviews the performance of the Chairman and Committees chaired by the Chairman.

During the year, the Chairman met with the independent Non-Executive Directors without the Executive Directors present, and the Senior Independent Director met with the other Non-Executive Directors without the Chairman present.

Induction and training

On appointment, each Director takes part in an induction programme through which they are provided with comprehensive and up-to-date information about the Group and its business, the role of the Board and the matters reserved for its decision, the Terms of Reference and membership of the Board and Committees, and the powers delegated to those Committees. The programme includes meetings with other Directors, the Executive Team and senior management members. In addition, each new Director is provided with guidance from the Company Secretary on the Group's corporate governance practices and procedures, regulatory obligations applicable to the Board and briefings on wider responsibilities on areas such as Directors' duties. The induction programme is supplemented by visits to key locations and meetings with key Senior Executives.

Throughout their period in office, the Directors are updated on the Group's business, the competitive environment, corporate social responsibility matters and other changes affecting the Group and the industrial sectors in which the Group operates. The Board tries to visit different Group operations each year to help extend the breadth and depth of the Non-Executive Directors' understanding of the Group's business.

Training is provided to the Directors, to ensure that they are kept up to date with corporate governance best practice as well as legal and regulatory matters affecting the Group.

Information and support

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. Under direction from the Chairman, the Company Secretary ensures good information flow which includes executive commentaries from the Chief Operating Officer, in addition to the reports from the Executive Directors and Company Secretary which are provided in advance of each Board meeting. The reports explain issues affecting the Group and how the Group's strategy is being implemented through current and future activities. The Board is provided with sufficient management information and reports on a timely basis and receives briefings by members of the Executive Team and senior management regularly to ensure that the Board is fully up-to-date with key issues concerning the Group.

We continue to use the electronic delivery system adopted in the fiscal year 2014 for Board documentation to be delivered direct to the Directors' electronic devices, which facilitates timely and efficient delivery of information and Board packs to the Directors. This approach also reduces the amount of paper used by the Board and is in line with our move to use electronic communications with shareholders which we implemented following the relevant approvals at the Annual General Meeting held in July 2013.

Indemnification of Directors

Qualifying third party indemnity provisions, as defined in section 234 of the Companies Act 2006, are in force for the benefit of Directors who held office during the year. The Company maintains Directors and Officers liability insurance for the Group's Directors and Officers.

ACCOUNTABILITY

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. The statement setting out the reasons why the Board continues to adopt the going concern basis for preparing the financial statements is included in the Directors' Report on page 68.

Internal control system

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks to the achievement of Scapa's strategic objectives and this process was in place throughout the year under review and up to the date on which the Annual Report and Accounts were approved. The process accords with the Code and is regularly reviewed by the Board, through the Audit and Risk Committee, whose review of the effectiveness of the Group's risk management and internal control systems includes:

- a formal review of the Group's Risk Profile to assess potential risk areas and action plans to address these risks
- review of the strategic and annual internal audit plan
- review of the external audit strategy and plan
- review of the implementation of internal audit recommendations
- review of declared financial and operational control self-assessments against minimum control standards across all locations
- review, on an annual basis, of Group policies in relation to whistleblowing, anti-bribery and corruption, and prevention of fraud

The Board, supported by the Audit and Risk Committee, is responsible for determining the nature and extent of the significant risks that the Group is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control procedures.

The Group's internal control system is designed to manage the risk of failure to achieve business objectives, rather than to eliminate that risk. Such systems can only provide reasonable, and not absolute, assurance against material misstatement or loss.

During the year there have been no significant failings, weaknesses, or any material internal control failures that have been identified and which require reporting in the 2016/17 Annual Report and Accounts.

COMMUNICATIONS WITH SHAREHOLDERS

At the Company's Annual General Meetings, all Directors are available to respond to questions from shareholders present. The Annual General Meeting provides a forum for constructive communication between the Board and shareholders. Throughout the year, the Executive Directors, and separately the Chairman, meet with investors to discuss matters relevant to the Company.

G S Hardcastle
Group Finance Director and
Company Secretary
23 May 2017

REPORT OF THE AUDIT AND RISK COMMITTEE

D C BLACKWOOD
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

DEAR SHAREHOLDER

The Audit and Risk Committee ('the Committee') report for the year ended 31 March 2017 is set out on the following pages 47 to 50. The Committee completed its work plan for the year and continuously reviewed internal control, risk, accounting policies and regulatory guidance.

There is nothing to bring to your attention as a result of the work plan. In summary, the Committee considers that it has delivered what it set out to do and has a clear plan for 2017/18. The Chairman of the Committee will be available at the Annual General Meeting to respond to any questions shareholders may raise on any of the Committee's activities.

AIMS AND OBJECTIVES

The overall aim of the Committee is to monitor the integrity of the Group's financial statements and announcements, its accounting processes, and the effectiveness of internal controls and risk management. The Committee assists the Board in fulfilling its responsibility to ensure that the Group's financial systems provide accurate and up-to-date information on its financial position, and supports the Board in its consideration as to whether the Group's published financial statements are fair, balanced and understandable.

COMPOSITION

The Board nominated David Blackwood as Chairman of the Committee with effect from 1 June 2016, having joined the Company as a Non-Executive Director on 1 May 2016. He succeeded Mike Buzzacott who retired on 31 May 2016.

David was previously Chief Financial Officer of Synthomer plc, a global specialty chemicals business. Prior to that he spent twenty years with ICI plc, where he held a number of senior financial roles. He has previously served on the Audit & Risk committee of the Cabinet Office, and as a member of the FRC's Board for Actuarial Standards. He is a Chartered Accountant (ICAEW) and a Fellow of the Association of Corporate Treasurers (FCT). David is also currently a Non-Executive Director and Chairman of the Audit Committee at Dignity PLC.

James Wallace, Richard Perry and Martin Sawkins were members of the Committee throughout the year under review. Both James Wallace and Richard Perry are qualified accountants and each has substantial experience of risk management, governance and internal control in their Executive and Non-Executive directorships in manufacturing organisations. Martin Sawkins has substantial experience in both HR and business operations across the manufacturing and services industries and also holds a Non-Executive directorship at Wincanton plc, where he is also a member of its Audit Committee. Martin is also currently a Non-Executive director at Africa Exclusive Ltd.

Larry Pentz joined the Committee on his appointment to the Board on 3 January 2017. Larry has extensive international business experience and is a member of the Audit Committee of Victrex plc, where he is also Non-Executive Chairman.

This relevant experience allows the members to:

- understand the risks facing a global manufacturing company and approaches to managing its risks
- maintain an oversight of the Group's internal control environment through the internal audit plan and risk management framework
- review strategic financial management in a global manufacturing company provide constructive challenge to the reports and assurances given by management, and guide the design and implementation of a suitable assurance framework
- ensure overall external audit efficiency, including capturing control improvement and minimising duplication of assurance work
- provide practical insights on the Group's approach to corporate governance

The Company Secretary acts as the secretary to the Committee.

MEETING FREQUENCY AND ATTENDANCE

The Committee is required to meet formally at least three times per year.

Member	No. of meetings attended
D C Blackwood	4/4
J A S Wallace	4/4
R J Perry	4/4
M T Sawkins	4/4
L C Pentz*	1/1
M C Buzzacott**	1/1

* Appointed 3 January 2017
** Retired 31 May 2016

AUDIT AND RISK COMMITTEE ACTIVITIES

In order to discharge its responsibilities, during the year, the Committee has undertaken the following activities:

Financial statements and reports

- Reviewed and discussed changes to the UK Corporate Governance framework and its impact on reporting requirements
- Reviewed the interim accounts and related statements and discussed:
  - key accounting judgements
  - Income Statement for the half year, specifically revenue, trading profit and foreign exchange
- Reviewed and considered the significant issues in relation to the financial statements and how these have been addressed, including:
  - **Viability statement** – The 2014 UK Corporate Governance Code provision C.2.2 has set out a requirement for the Directors to explain in the Annual Report how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate. The Committee reviews the analysis undertaken in relation to strategic risk management and risk assessment, risk appetite, internal control, risk and control reporting structure and the principal risks identified on an ongoing basis. This monitoring and review informs the draft statement which is documented annually.
  - **Pension liabilities** – The Group has a material defined benefit pension scheme deficit in the UK and smaller schemes in the US and Europe. Small changes to the assumptions used to value the retirement benefit obligations can have a significant impact on the financial position of the Group. The Committee reviews the assumptions put forward by the actuaries and reviews their reasonableness. The Committee reviews the assumptions by comparison to external benchmark data and also considers the adequacy of disclosures in respect of the sensitivity of the deficit to changes in these key assumptions.
  - **Inventory valuation** – Inventory is a significant item on the Balance Sheet and therefore exposes the Group to risks around valuation and existence. The Committee reviews the year end reports on inventory with particular focus on the level of provisioning and the results from the annual stock-takes. The Committee reviews the analysis of stock write-offs throughout the year.
  - **Exceptional items** – The Committee received reports and challenged the basis and completeness of information. In particular, the Committee considered the nature of the items and determined whether separate disclosure was appropriate or not. The Committee discussed with management the key judgements behind all the exceptional items and agreed with their recommendations.
  - **Acquisition and fair value accounting** – Valuing and assessing the assets procured as part of the acquisition of EuroMed Inc involves assumptions around the values and cash flows of both tangible and intangible assets. The Committee reviewed the fair value assumptions and discussed the reasonableness of the conclusions with senior management and the auditors.
  - **Carrying value of goodwill, intangible and fixed assets** – The Committee receives an annual update on the impairment reviews based on the recoverability determined on a value in use basis on each cash-generating unit (CGU) using the management approved forecasts for each CGU within the Group.
- Reviewed the Annual Report and related statements and auditor's report for 2016/17 to ensure that the report is fair, balanced and understandable

External audit

- Monitored and ensured the independence and objectivity of the external auditor
- Reviewed and approved the external audit fees for 2016/17
- Approved all non-audit service work over £10,000
- Reviewed and approved the scope and methodology of the external audit strategy for 2016/17
- Reviewed the performance of the external auditor and considered the reappointment of Deloitte LLP as auditor for 2016/17 and recommended their re-appointment to the Board

Internal audit

- Evaluated the adequacy of the strategic and annual internal audit plan
- Reviewed and followed up, where appropriate, management responses to internal audit findings and recommendations raised during the year
- Reviewed and approved the Group Risk & Assurance team resourcing including the co-source provision and associated costs
- Reviewed the performance of internal audit
- Performed an ongoing review of compliance with the Group's processes to prevent and detect bribery and corruption

Risk management

- Reviewed the key risks (financial and operational) facing the Group and the ongoing development and implementation of action plans to mitigate these risks
- Reported to the Board on how it has discharged its responsibilities
- Reviewed and approved the Group's insurance coverage

Others who are invited to attend meetings of the Committee:

- External Audit – Deloitte LLP
- Head of Group Risk & Assurance
- Group Chief Executive
- Group Finance Director
- Group Financial Controller

The Committee's full Terms of Reference can be found in the Group Corporate Governance section of the Company's website (www.scapa.com/en/CorporateGovernance).

The Committee's Terms of Reference are reviewed annually. This year's review was conducted in line with the Institute of Chartered Secretaries and Administrators (ICSA) guidance to reflect the UK Governance Code.

In summary, the Committee is required to:

- oversee and advise the Board on the current risk exposures of the Company and related future risk strategies
- oversee the activities of internal audit
- review internal control policies and procedures for the identification, assessment and reporting of material financial and non-financial risks
- review reports on any material breaches of risk limits and the adequacy of proposed actions
- review the Group's procedures for detecting fraud
- review the Group's procedures for the prevention of bribery and corruption
- review the Group's procedures for ensuring that appropriate arrangements are in place to enable employees to raise matters of possible impropriety in confidence (the Scapa Open Door Policy)
- review the effectiveness of the Group's financial reporting

EXTERNAL AUDIT

Effectiveness

To assess the effectiveness of our external auditor, a formal performance review is undertaken on an annual basis to identify the adequacy of their approach to the following:

Audit staffing – it is important that the external auditor has achieved the right balance of audit team resource. While they should be providing team continuity and knowledge, they should also be providing a fresh perspective through new team members to enable the current audit processes and accounting policies to be challenged.

Effective communication – is key to obtaining the highest quality audit service from our external auditor and includes:

- communicating key audit judgements at the earliest opportunity to promote discussion and challenge between themselves and management
- informing Scapa of audit issues as they arise, so that these can be dealt with in a timely manner
- in-year communication regarding good practice, changes to reporting requirements and accounting standards to enable Scapa to be prepared prior to year end
- timely provision of Audit and Risk Committee papers to enable adequate management review and feedback
- quality of the reports and publications provided by the external auditor in terms of content, relevance and presentation

Scoping and planning – specifically relating to the year end audit work:

- consultation with stakeholders including Group and local finance teams, local warehouse teams, Group Risk & Assurance and the Audit and Risk Committee
- timely provision of the external audit strategy and timetable to stakeholders
- transparency in the communication and management of changes to the external audit plan and related timings

Fees – are transparent and communicated prior to the commencement of any work undertaken. Where variations occur, these are informed at the earliest opportunity to enable dialogue and negotiation to be undertaken.

INTERNAL AUDIT

Responsibilities

Internal audit at Scapa is managed and delivered by the Group Risk & Assurance team. Against an agreed mandate, this function performs independent internal audits and facilitates standardised and structured risk assessment across the Group. Specialist internal audits are conducted by experts (in-house and outsourced) under the direction and management of the Head of Group Risk & Assurance.

In line with the Group's Internal Audit Charter, a three-year internal audit strategy and an annual internal audit plan are approved by the Committee each year. These target the most significant areas of risk to provide assurance that key controls are effectively designed and consistently operated. Audit reports are produced to convey the extent of control assurance derived from the formal testing of controls. In providing independent good practice guidance, the Group Risk & Assurance team assists the business in the continuous improvement of controls and procedures.

Yearly summary reports are presented by the Group Risk & Assurance team to the Committee to convey:

- an up-to-date view of the Group's risk profile
- details of internal audits undertaken during the period
- an overall assessment of the Group's control environment
- the status of management actions arising from the risk management and internal assurance processes

The Head of Group Risk & Assurance is accountable to the Committee and has access to the Committee and its Chairman at any time during the year. As a matter of course, the Head of Group Risk & Assurance meets with the Chairman of the Committee independently of management.

The Group Risk & Assurance team has no operational responsibility or authority over any of the activities it has reviewed during the year, nor has the team designed the control frameworks in place. For a period of four months during the year, as part of a role transition, the Head of Group Risk & Assurance held some operational responsibility over our French site. However, all risk work for the site was independently reviewed and there was no conflict of interest during this period. The Group Risk & Assurance team members do not hold shares in the Company. This ensures that the team is sufficiently objective and independent of the areas under review to avoid prejudice and conflicts of interest.

EXTERNAL AUDIT GOVERNANCE

Auditor independence

The Committee continues to monitor the external auditor's compliance with applicable ethical guidance and guidelines and considers the independence and objectivity of the external auditor as part of the Committee's duties. The Committee received and reviewed written confirmation from the external auditor on all relationships that, in their judgement, may bear on their independence. The external auditor has also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

In all services purchased, the Group selects the provider best placed to deliver the work in terms of quality and cost. As a general principle the external auditor is excluded from consultancy work and other non-audit work. However, there may be occasions when it is appropriate to use our external auditor for non-audit services and this will be reviewed on an individual basis and allocated according to merit.

The external auditor may be appointed to provide non-audit services where it is in the Group's best interests to do so, provided a number of criteria are met. These are that the external auditor does not:

- audit their own work
- make management decisions for the Group
- create a conflict of interest
- find themselves in the role of an advocate for the Group

Non-audit services for up to £10,000, which comply with the above criteria, may be provided by the external auditor with authorisation in advance by the Group Finance Director.

All projects where forecasted expenditure exceeded £10,000 were approved by the Audit and Risk Committee.

Tendering policy and review of auditor effectiveness

Deloitte LLP was appointed as the Group's external auditor in 2011 after a competitive tendering exercise and has been the Group's external auditor for six financial years. Following the completion of five years as audit partner, a smooth transition to a new engagement partner, Christopher Robertson, took place in 2016/17.

Following the positive outcome of a performance and effectiveness evaluation undertaken by the management, the Committee concluded that it was appropriate to recommend to the Board the reappointment of Deloitte LLP as the Group's external auditor for the next financial year.

D C Blackwood
Chairman of the Audit and Risk Committee
23 May 2017

REPORT OF THE NOMINATIONS COMMITTEE

L C PENTZ
CHAIRMAN OF THE NOMINATIONS COMMITTEE

DEAR SHAREHOLDER

The Report of the Nominations Committee ('the Committee') for the year ended 31 March 2017 is set out below.

AIMS AND OBJECTIVES

The aims and objectives of the Committee are set out in the Committee's full Terms of Reference which can be found in the Corporate Governance section on the Company's website (www.scapa.com/en/CorporateGovernance).

In summary, the role and responsibilities of the Committee are to:

- review the Board structure, size, composition and diversity, and make recommendations to the Board with regard to potential changes
- seek the appointment of Directors with the appropriate mix of skills, knowledge and experience that the Board requires to ensure that it is effective in discharging its responsibilities
- review its own performance, constitution and Terms of Reference to ensure that it is operating at maximum effectiveness
- review the election or re-election of Directors at each Annual General Meeting
- meet at least twice yearly and on an ad hoc basis as required and be responsible for the nomination, for approval by the Board, of candidates for appointment to the Board and for succession planning

COMPOSITION

The Committee was chaired by James Wallace until his retirement from the Board on 31 March 2017. Larry Pentz, who was appointed to the Board as Non-Executive Chairman-Designate on 3 January 2017 and became Chairman of the Board on 31 March 2017 on Mr Wallace's retirement, has been Chairman of the Committee since that date. The other members of the Committee are Richard Perry (Senior Independent Director), Martin Sawkins (Non-Executive Director) and David Blackwood (Non-Executive Director). The Company Secretary acts as secretary to the Committee.

Biographical details of all Committee members can be found on pages 40 and 41 of this Report and also on the Company's website www.scapa.com.

The Terms and Conditions of appointment of the Directors, including the expected time commitment, can be inspected at the Company's registered office during normal working hours.

MEETING FREQUENCY AND ATTENDANCE

The Committee meets formally at least twice each year, with other meetings taking place on an ad hoc basis as required. Only members of the Committee have the right to attend Committee meetings; however, other individuals such as the Group Chief Executive, the Group Finance Director and external advisers may be invited to attend for all or any part of the meeting as and when appropriate. The Committee met formally five times during the year with Larry Pentz attending the two meetings which have taken place since his appointment and Mike Buzzacott attending the one scheduled meeting prior to his retirement on 31 May 2016. The other members of the Committee attended all of the meetings. Non-Committee members of the Board were also invited to attend.

Member	No. of meetings attended
J A S Wallace	5/5
L C Pentz*	2/2
R J Perry	5/5
M T Sawkins	5/5
D C Blackwood	5/5
M C Buzzacott**	1/1

* Appointed 3 January 2017
** Retired 31 May 2016

NOMINATIONS COMMITTEE ACTIVITIES

In the year ended 31 March 2017 and up to the date of this report, the Committee met several times and considered the following:

- The outcome of the annual evaluation of the Board's and Board Committees' effectiveness
- Succession planning of Executive and Non-Executive Directors
- The nomination and appointment of David Blackwood as a Non-Executive Director
- The nomination and appointment of Larry Pentz as Non-Executive Chairman-Designate and his succession to the role of Non-Executive Chairman
- The independence of the Non-Executive Directors
- The extension of Richard Perry's letter of appointment
- The existing terms of the Committee's Terms of Reference. The Committee determined that they remain in line with current guidelines from ICSA and will be reviewed in the event of any changes in best practice or legislation
- The Board Diversity Policy adopted by the Board in January 2014 and amended in March 2017. The Committee determined that the Policy remains appropriate for the Company. The Policy is set out below and a copy is located in the Group Corporate Governance section on the Company's website www.scapa.com/en/CorporateGovernance)

Following recommendation by the Committee, all Directors submit themselves for election or re-election at the Annual General Meeting following their appointment and annually thereafter.

SUCCESSION PLANNING

During the year under review, the Committee focused on Board succession and composition. Following Mike Buzzacott's decision to retire as a Non-Executive Director with effect from 31 May 2016, a formal and extensive recruitment process was undertaken with an independent executive search firm to identify a potential successor for the role. Following a rigorous selection process, David Blackwood was appointed as a Non-Executive Director with effect from 1 May 2016 and assumed Chairmanship of the Audit and Risk Committee with effect from 1 June 2016.

In addition, following James Wallace's decision to retire as Non-Executive Chairman with effect from 31 March 2017, a formal extensive search was again undertaken with an independent executive search firm to identify his successor. Following a thorough review of potential candidates, Larry Pentz was appointed as Non-Executive Chairman-Designate with effect from 3 January 2017 and was appointed Non-Executive Chairman of the Board and Chairman of the Nominations Committee with effect from 31 March 2017.

In the coming year the Committee will continue to monitor the composition and effectiveness of the Board and Committees of the Company, and keep abreast of developments in corporate governance to ensure that we continue to act in accordance with good governance practice.

BOARD DIVERSITY POLICY

The Board recognises the importance of diversity in its broadest sense in the Boardroom as an essential element in maintaining Board effectiveness and a competitive advantage.

Diversity of skills, background, knowledge, international and industry experience, and gender will be taken into consideration when seeking to make new appointments to the Board and its Committees. All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge.

The Board will consider suitably qualified applicants for Non-Executive Director roles from as wide a range as possible, with no restrictions on age, gender, religion, ethnic background or current executive employment, but whose competencies and knowledge will enhance the Board. Independence and the ability to fulfil time commitments required will also be taken into account.

The Board will ensure that procedures are in place for orderly succession to the Board so as to maintain the correct balance and to ensure ongoing progression.

L C PENTZ
Chairman of the Nominations Committee
23 May 2017

REPORT OF THE REMUNERATION COMMITTEE

M T SAWKINS
CHAIRMAN OF THE REMUNERATION COMMITTEE

This report sets out the activities of the Remuneration Committee ('the Committee') for the year ended 31 March 2017. The report sets out the remuneration policy and remuneration details for Scapa's Executive and Non-Executive Directors, and has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013, which the Company has voluntarily chosen to follow.

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2017.

OUR STRATEGY

Our continued success has been shaped by maintaining a disciplined approach in executing our strategy to create a balanced portfolio of businesses in our chosen markets of Healthcare and Industrial, develop and leverage strategic relationships with companies who are global market leaders, expand scale and scope through acquisitions and continue to focus on efficiency improvement and cost control.

EXECUTIVE REMUNERATION AND LINK TO STRATEGY

In 2014, we voluntarily sought and obtained shareholder approval for the Directors' Remuneration Policy, which is clearly focused on rewarding superior and sustained performance. It is our belief that executives should be rewarded on the basis of their individual performance and the value created for shareholders. Variable elements of pay are therefore focused on simple and transparent measures of key strategic objectives, operating profit, EPS growth and sustainable growth in shareholder value. Bonus and long-term incentive scheme targets are purposely designed to be challenging and drive the long-term success of the Group.

REMUNERATION OUTCOMES OF 2017

Full details of the remuneration decisions for 2017 are set out in the Directors' Annual Remuneration Report on pages 61 to 67. The Group reported very pleasing results, achieving £29.2m trading profit on revenue of £279.6m, and continuing year-on-year growth since 2010 under the direction of Heejae Chae and the Executive Team. Trading profit margin improved to 10.4% and adjusted EPS increased to 14.8p.

The Committee agreed to increase the salary of the Chief Executive to £440,000 (a 9.2% increase) with effect from 1 January 2017. The Committee is fully aware that general investor expectation is for any salary increases for Executive Directors to be limited and to use the overall increase for all employees as a reference point. This is the typical approach we have taken in the past in respect of our Executive Directors. However, the Committee felt it was important to recognise the very strong performance of the Group over 2016/17 as well as preceding years and the impact this has had on the value created for shareholders, as outlined above.

The annual bonus targets for the Executive Directors and Executive Team were set by the Committee at the beginning of the financial year. The targets were met and the Executive Directors will receive an annual bonus equivalent to 100% of salary for 2017.

The Committee has also reviewed the Company's EPS growth over the three-year period ended 31 March 2017 to establish whether the performance criteria for vesting of awards made under the Company's Performance Share Plan in 2014 had been achieved. The adjusted EPS growth over the three-year performance measurement period exceeded the target for 100% vesting and the awards will vest in full.

The Company's share price over the three-year measurement period rose from 116.25p to 353.75p and market capitalisation grew from £170.6m to £538.9m, with £6.3m returned to shareholders by way of dividends.

MEETING FREQUENCY AND ATTENDANCE

The Committee meets formally at least three times each year, with other meetings taking place on an ad hoc basis as required. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Head of Human Resources and external advisers may be invited to attend for all or part of any meetings, as and when appropriate and necessary.

Member	No. of meetings attended
M T Sawkins	6/6
J A S Wallace	6/6
R J Perry	6/6
D C Blackwood	6/6
L C Pentz*	2/2
M C Buzzacott**	1/1

* Appointed 3 January 2017
** Retired 31 May 2016

TRANSPARENCY IN DISCLOSURE

The Committee seeks to operate in a clear and transparent manner and to demonstrate good practice in executive remuneration.

The Committee's report comprises three sections, namely:

- This statement, which sets out a summary of and explains the major decisions on Directors' remuneration
- The Directors' Remuneration Policy, for shareholder approval at the 2017 Annual General Meeting
- The Directors' Annual Remuneration Report, which provides details on how the Policy will operate in the forthcoming year and states the remuneration earned by the Directors in the year to 31 March 2017

Although, as an AIM listed Company, Scapa is not required to have a Directors' Remuneration Policy ("Policy") the Company introduced a policy which was approved by 99.75% of shareholders at the 2014 Annual General Meeting. Consequently after three years under the current arrangements, Scapa will be submitting its Directors' Remuneration Policy for shareholder approval at the 2017 Annual General Meeting. The Committee has been reviewing the Policy which now includes the Value Creation Plan approved by shareholders at a General Meeting on 16 November 2015, to help ensure it remains fit-for-purpose for the next three years and continues to reinforce delivery of the business strategy and to ensure it promotes motivation and retention of high quality executives who are key to delivering continued sustainable profitable growth and value creation for shareholders. In reviewing the Policy, the Committee have also taken into account institutional investor guidance and developments in remuneration governance and in market practice, as well as any shareholder views expressed during dialogue. The Committee believes the Policy continues to be appropriate and is therefore proposing the Policy remains broadly unchanged. The Board will treat the shareholder vote as binding, notwithstanding that as an AIM-listed company Scapa is not required to put the Policy to a binding vote.

The Directors' Annual Remuneration Report will be subject to an advisory vote by shareholders at the 2017 Annual General Meeting.

ENGAGEMENT WITH SHAREHOLDERS

Scapa's updated Remuneration Policy was circulated to major shareholders for feedback on 18 April 2017. We welcome shareholder engagement and take account of such views when considering both policy development and reward outcomes.

REMUNERATION COMMITTEE ACTIVITIES

During the year under review, the Committee met formally on six occasions and all members were present at each meeting, with Larry Pentz attending the two meetings which have taken place since his appointment. We took advice from Deloitte LLP and Kepler Partners on executive pay and benchmarking. The key activities of the Committee during the year were:

- review of the Directors' Remuneration Policy
- consideration of the levels of pay and benefits for the Executive Directors and Executive Team
- consideration and approval of appointment and exit terms for Executive Directors and Senior Executives
- agreement on the executive bonus arrangements and targets for the year
- review of Corporate Governance developments in the area of executive remuneration
- consideration of the Chairman's fee upon his appointment
- measurement and monitoring of unvested LTIP awards
- assessment of performance targets and outcome against annual bonus and LTIP targets for the Executive Directors and Executive Team

BOARD CHANGES

During the year James Wallace gave notice of his intention to retire as Chairman of the Board with effect from 31 March 2017. Larry Pentz joined the Board as independent Non-Executive Chairman-Designate with effect from 3 January 2017 and was appointed Non-Executive Chairman with effect from 31 March 2017. The Committee advised and made recommendations to the Board on the Chairman's fee.

As reported in the 2016 Annual Report, Graham Hardcastle was appointed Group Finance Director on 1 May 2016 following the retirement of Paul Edwards, and David Blackwood was appointed as an independent Non-Executive Director, also on 1 May 2016. Mike Buzzacott retired as an independent Non-Executive Director on 31 May 2016.

M T Sawkins
Chairman of the Remuneration Committee
23 May 2017

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION POLICY

PROPOSED REMUNERATION POLICY

The table below sets out the proposed remuneration policy to be put to shareholders for approval at the Annual General Meeting to be held on 18 July 2017.

REMUNERATION PRINCIPLES FOR EXECUTIVE DIRECTORS

The main principles of the senior executive remuneration policy are set out below:

- Attract and retain high calibre executives in a competitive international market, and remunerate executives fairly and responsibly
- Motivate delivery of our key business strategies and encourage a strong performance-oriented culture
- Reward achievement of stretching targets over the short and long-term
- Support both near-term and long-term success and sustainable shareholder value
- Align the business strategy and achievement of planned business objectives
- Be compatible with the Company's risk policies and systems
- Ensure that a significant proportion of remuneration is performance-related
- Link maximum payout to outstanding performance
- Take into consideration the views of shareholders and best practice guidelines, as they apply to Scapa, taking into account its AIM listing

Fixed remuneration comprises salary, pension contribution and benefits. Variable pay includes annual bonus, LTIP awards and the Value Creation Plan. Together, fixed and variable remuneration comprise total remuneration for the Executive Directors. The Committee recognises that it may be necessary on occasion to use its discretion to make remuneration decisions outside the standard remuneration policy, such as agreeing a sign-on payment, to attract and retain particular individuals.

COMPONENTS OF REMUNERATION

PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
SALARY			
Attract and retain the right calibre of senior executive required to support the long-term success of the business. Provide the basis for a competitive remuneration package.	Salaries are usually determined by reference to market data. Reflects individual experience, skills and role. Paid monthly. Reviewed annually by the Remuneration Committee, with any changes normally becoming effective on 1 January for the Chief Executive and 1 June for the Group Finance Director.	Increases will be made at the discretion of the Committee to take account of individual circumstances such as: • increase in responsibility • development and performance in the role • alignment to market level • increases given to all Scapa employees	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
PENSION			
Provide a market competitive level of pension provision and allow Executive Directors to build long-term retirement savings.	Defined contribution based on a percentage of salary. The rate of contribution for Executive Directors exceeds the rates for the broader employee population; this reflects market practice for senior executives. The rate of contribution for any new Executive Director is benchmarked at the date of appointment. Directors may elect to take all or part of their pension contribution as a cash supplement.	Chief Executive – 20% of salary. Group Finance Director – 20% of salary. No element other than salary is pensionable.	None. Pension contribution is set at commencement of an individual's contract.

PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
BENEFITS			
Protect against risks and provide other benefits reflecting the international aspects of Executive Directors' roles.	Current benefits include a car allowance paid monthly, private medical insurance in the UK, permanent health insurance and life assurance cover. Other benefits may be paid if the Committee considers it appropriate. The Chief Executive participates in a US contributory private medical insurance plan.	Set at a level which the Remuneration Committee considers is appropriate taking into account comparable roles in companies of a similar size and complexity, and provides a sufficient level of benefit based on the role.	None.
ANNUAL BONUS			
Provide a direct link between measurable individual performance and rewards. Encourage the achievement of outstanding results aligned to the business strategy and achievement of planned business objectives.	Individual bonus decisions are based on Executive Directors' performance during the year, measured against Group and personal objectives. Performance measures may include both quantitative and qualitative, and both financial and non-financial. Bonus awards are made by the Committee following discussions with the Chairman (for the Chief Executive's bonus) and the Chief Executive (for the Group Finance Director's bonus). Bonus awards are paid in cash or, at the discretion of the Committee, as a combination of cash and shares, after the results of the Group are audited. The Committee may elect to satisfy a part of the bonus in shares and match the number of shares received. Any shares issued in satisfaction of bonus shall be held for a minimum period as the Remuneration Committee specifies.	The value of any annual bonus is limited to a percentage of salary. The current maximum percentage is 150% for both the Chief Executive and the Group Finance Director if exceptional outperformance of targets is achieved.	Performance is assessed using specific metrics set by the Remuneration Committee, which may include Group Trading Profit improvement. The measures and targets are set by the Committee each year. The measures that apply are set out in the relevant Directors' Annual Remuneration Report. Measures for future years will be described in the Directors' Annual Remuneration Report for the relevant year.

PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
LONG-TERM INCENTIVE PLAN AWARD			
Reward execution of Scapa's strategy and growth in shareholder value over a multiple-year period. Long-term performance measurement discourages excessive risk-taking and inappropriate short-term behaviours, and encourages Executive Directors and Senior Executives to take a long-term view by aligning their interests with those of shareholders. The LTIP is designed to retain Executive Directors and Senior Executives over the performance period of the awards.	LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Chief Executive's award) and the Chief Executive (for the Group Finance Director's and Senior Executives' awards). Achievement of stretching performance measures determines whether and to what extent LTIP awards will vest. Awards vest three years after the date of the award, subject to achievement of performance criteria. At vesting, the LTIP awards are satisfied in Scapa shares. Awards will typically lapse on termination of employment, although the Committee may determine that awards may vest after termination of employment, in accordance with the plan rules and taking into account performance during the date of grant and date of termination of employment. In the event of a change of control of the Company, awards shall vest and be exercisable.	Awards are made as a percentage of salary up to a maximum of 200%. In the absence of exceptional circumstances which the Committee considers warrant additional levels of award, the PSP awards will be granted at not more than 100% of salary each year. The Committee has discretion to award additional shares (or equivalent cash amount) to reflect the value of dividend paid on some or all of the shares vesting up to the end of the performance period.	Performance is assessed against delivery of long-term financial performance. Existing awards vest against growth in EPS. Alternative or additional criteria may be used to determine future rewards.
VALUE CREATION PLAN			
Reward the Executive Directors and other Senior Executives to create exceptional and sustainable increases in shareholder value during the five-year period to 31 March 2020.	Awards are made by the Committee to the Executive Directors and Executive Team. Awards may vest before March 2020 in certain circumstances in accordance with the rules of the VCP in the event of a change of control, other relevant corporate event or in certain 'good leaver' circumstances. The Committee has discretion to operate the VCP in accordance with its rules as approved by shareholders.	Participants will share 5% of the increase in value created for shareholders above a share price of £1.95 up to a share price of £5.00. The Committee has discretion to award additional shares (or an equivalent cash amount) to reflect the value of dividends paid on some or all of the vested shares up until the release date.	Share price growth, measured on 31 March 2018 and 31 March 2020 using the average closing price in the 30 days ending on the Measurement Date. Where an award vests early as a result of a change of control, other relevant corporate event or in 'good leaver' circumstances, the growth in share price will be measured in accordance with the VCP rules.

PURPOSE	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
SAYE SCHEME			
Reward execution of Scapa's strategy and growth in shareholder value over a multiple-year period.	UK employees are eligible to join this savings related share option scheme, which is an HM Revenue and Customs tax favoured scheme. The Company grants each participant an option to subscribe for Scapa shares at an option price per share which is set at the commencement of the scheme. The option price is at a discount to the market price on the date of grant. On a change of control of the Company, options shall be exercisable.	Participation limits are set by HM Revenue and Customs. Although the participation limit on SAYE schemes has been increased to £500 per month, the limit applicable to the current Scapa SAYE scheme is £250 per month. The Committee may adjust the maximum to reflect HMRC saving limits.	None.
CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES			
Provide an appropriate reward to attract and retain high calibre individuals. Neither the Chairman nor any of the Non-Executive Directors are entitled to a bonus or benefits and their fees are not performance related.	The fee for the Chairman reflects the level of commitment and responsibility of the role. The fee is paid monthly in cash and is inclusive of all Committee roles. Non-Executive Directors' fees are set at a level which ensures that the Company can attract and retain individuals with the required skills, experience and knowledge to enable the Board effectively to carry out its duties. Non-Executive Directors' remuneration comprises a base fee together with an additional fee for chairing one or more Board Committees and a further fee for the role of Senior Independent Director. The Chairman and Non-Executive Directors are entitled to reimbursement of reasonable expenses.	Set at a level which reflects the commitment and contribution expected from the Chairman and Non-Executive Directors, and is appropriately positioned against comparable roles in companies of a similar size and complexity. Fees are benchmarked externally from time to time, as appropriate. Actual fee levels are disclosed in the Directors' Annual Remuneration Report for the relevant financial year.	None.

RECRUITMENT REMUNERATION ARRANGEMENTS

When recruiting a new Executive Director, whether from within the organisation or externally, the Committee will take into consideration all relevant factors to ensure that remuneration arrangements are in the best interests of the Company and its shareholders without paying more than is necessary to recruit an executive of the required calibre. The Committee will seek to align the remuneration package offered with the remuneration policy outlined above, but retains discretion to make proposals on hiring which are outside the standard policy. The Committee may make awards on appointing an Executive Director to compensate for remuneration arrangements forfeited on leaving the previous employer. In doing so, the Committee will consider all factors relevant to the forfeited arrangements, such as the nature of the remuneration forfeited, any performance conditions and time periods over which they would have vested, and any compensatory awards will be on a comparable basis.

DIRECTOR SHAREHOLDING GUIDELINES

All Executive Directors are expected to build up over a reasonable period from appointment, and hold, a minimum level of shareholding in the Company equal to one year's salary. Non-Executive Directors are expected to build up and hold a material level of shareholding within a reasonable period of appointment. This is considered an effective way to align the interests of the Directors and shareholders over the long term.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND TERMINATION PAYMENTS

Scapa's Executive Director service contracts entitle the Executive Directors to the fixed elements of remuneration and to consideration for variable remuneration each year. The contracts are terminable by the Company on not more than 12 months' written notice. The Company may terminate an Executive Director's contract immediately with payments in lieu of notice of between six to 12 months' salary plus contractual entitlements. There are no express provisions for compensation payable on early termination of an Executive Director's contract as at the date of termination other than as set out above and any awards made may be pro-rated for time and performance and payable on the usual payment dates The Committee will seek to mitigate the cost to the Company while dealing fairly with each individual case. The Company may contribute to the reasonable legal fees of a Director in relation to any agreement to cease employment.

It is the policy of the Company that all executive appointments to the Board will have contract notice periods no longer than 12 months.

EXTERNAL APPOINTMENTS

It is the policy of the Company, which is reflected in the contract of employment, that no Executive Director may accept any Non-Executive directorships or other appointments without the prior approval of the Board. Any outside appointments are considered by the Nominations Committee or the Board to ensure that they would not give rise to a conflict of interest. It is the Company's policy that remuneration earned from any such appointment may be retained by the individual Executive Director.

REMUNERATION POLICY FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and other Non-Executive Directors are appointed under a letter of appointment for an initial term of three years, subject to earlier termination by either party upon written notice. In each case, the letter of appointment may be extended by mutual consent. The Chairman and the Non-Executive Directors are not contractually entitled to termination payments. The letters of appointment cover such matters as duties, time commitment and other business interests.

The Remuneration Committee determines the remuneration for the Chairman and Non-Executive Directors within the limits set in the Company's Articles of Association.

The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual and market practice in comparable companies. The Chairman's fee is currently set at £125,000 per annum.

The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Non-Executive Directors' fee structure was reviewed during the year by the Board and no changes were proposed. The fee structure, with effect from 1 May 2017, remains as follows:

- Basic fee – £40,000
- Committee Chairman fee – £5,000
- Senior Independent Director fee – £2,000

DIRECTORS' ANNUAL REMUNERATION REPORT

Where indicated, the information provided in the following pages of this report has been audited by Deloitte LLP.

SINGLE FIGURE FOR TOTAL REMUNERATION (AUDITED INFORMATION)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 March 2016 and 2017:

	Salary/fees £'000		Benefits[1] £'000		Bonus £'000		Share Price Incentive bonus £'000		PSP awards £'000		Pension £'000		Total £'000	
Director	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Executive Directors														
H R Chae	**412,175**	396,975	**27,158**	27,074	**412,175**	396,975	**–**	395,000	**2,538,938**	1,930,000	**82,435**	79,395	**3,472,881**	3,225,419
G S Hardcastle	**245,000**	40,833	**10,956**	1,823	**245,000**	–	**–**	–	**–**	–	**49,000**	8,167	**549,956**	50,823
P Edwards[2]	**140,998**	239,428	**7,019**	11,920	**–**	241,710	**–**	228,028	**669,869**	1,101,148	**28,200**	47,886	**846,086**	1,870,120
Non-Executive Directors														
L C Pentz[3]	**31,250**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**31,250**	–
J A S Wallace	**100,000**	100,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**100,000**	100,000
R J Perry	**42,000**	42,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42,000**	42,000
M T Sawkins	**45,000**	45,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45,000**	45,000
D C Blackwood[4]	**41,250**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**41,250**	–
M C Buzzacott[5]	**7,500**	45,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7,500**	45,000

1 Benefits include all tax assessable benefits arising from the individual's employment, including car allowance, private healthcare and permanent health insurance
2 Retired from the Board 30 April 2016 and from the Company 31 October 2016 – includes all payments made in the period
3 Appointed as a Non-Executive Director 3 January 2017
4 Appointed as a Non-Executive Director 1 May 2016
5 Retired 31 May 2016

ADDITIONAL DISCLOSURES FOR SINGLE FIGURE FOR TOTAL REMUNERATION TO 31 MARCH 2017

Salary

The Chief Executive's salary from 1 April to 31 December 2016 was £402,900 (on an annualised basis) and was increased by 9.2% to £440,000 per annum with effect from 1 January 2017, reflecting the continued success of the development of the Group and his track record in the role. The Committee is fully aware that general investor expectation is for any salary increases for Executive Directors to be limited and to use the overall increase for all employees as a reference point. This is the typical approach we have taken in the past in respect of our Executive Directors. However, the Committee felt it was important to recognise the very strong performance of the Group over 2016 and prior years and the impact this has had on the value created for shareholders.

The Group Finance Director joined the business on 1 February 2016 and assumed his role on 1 May 2016 following the retirement of the previous incumbent. His commencement salary of £245,000 on an annualised basis remains unchanged as he was not eligible to receive a salary review in the year under review.

Pension contributions

The Company pays contributions to the nominated personal pension plans of the Executive Directors, or makes a cash in lieu supplement, in each case at a rate equal to 20% of salary.

Annual performance bonus

The 2017 bonus for the Executive Directors was based on growth in the Group's trading profit measured against prior year and achievement of a cash target. The actual target range has not been disclosed, as the Board considers this to be commercially sensitive information. The maximum potential payout for the Group trading profit measure is 150% and 100% for the cash measure. A 50% payout occurs at the entry point of the target. The actual bonus awarded to each Executive Director was 100% of target bonus for the year.

LONG-TERM INCENTIVES

Performance Share Plan (PSP)

The Company adopted a PSP in 2004, which was replaced in 2011 by a new PSP adopted by the Company at the Annual General Meeting. During the year, Mr Chae exercised 400,000 vested options under the 2004 PSP, having exercised his option over 100,000 shares in December 2012. All awards under the 2004 PSP have now been exercised or have lapsed. Since 2011, all PSP awards have been made under the 2011 PSP.

PSP is a long-term incentive for Executive Directors, the Executive Team and key members of the Leadership Team. It is designed to encourage participants to deliver sustained profitable growth and enhanced shareholder value. The policy of granting awards based on up to 100% of salary is expected to be applied to the awards to the Executive Directors and other participants in the PSP for the financial year ended 31 March 2017. The single performance criterion used in the PSP is trading EPS, which the Committee believes is a fair and appropriate condition for rewarding participants as it aligns their interests with those of shareholders and, being measured over a three-year period, aligns the reward with the Company's strategy for growth by encouraging longer-term profitable growth. When determining the trading EPS growth, the impact of material acquisitions, disposals and changes in the issued share capital will be disregarded to ensure that they do not artificially affect the EPS measurement.

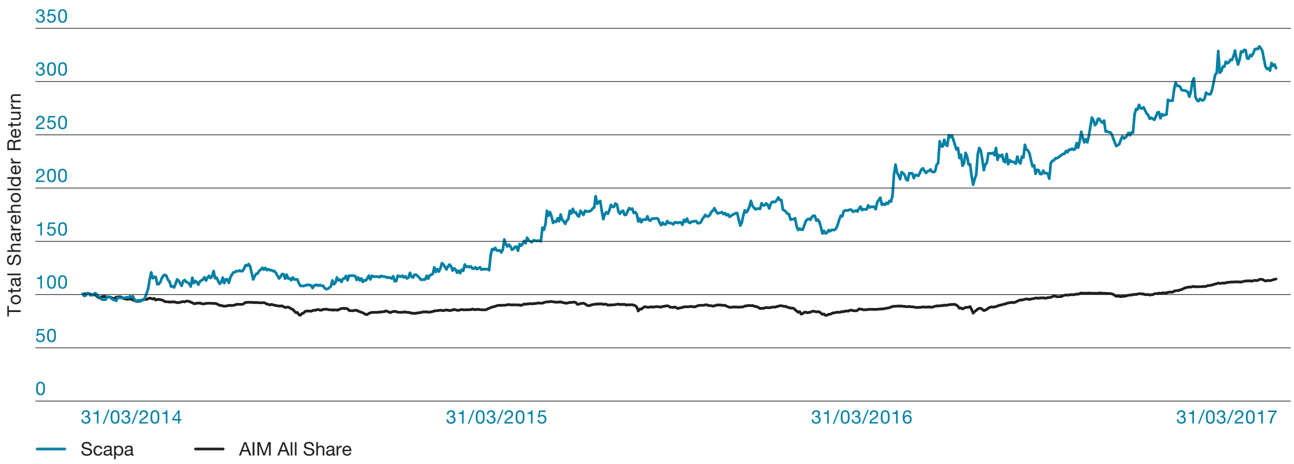
Awards granted in 2014 (audited information)

The PSP award in 2014 was based on adjusted EPS growth over the three-year period ending 31 March 2017. The adjusted EPS in March 2014 was 7.2p. The table below sets out achievement against targets for the EPS measure:

EPS target (p)	Award vesting (%)	Adjusted EPS achieved (p)	Resulting level of award (% of maximum opportunity)
3 year RPI +40%	100%	14.8p	100%

Total shareholder returns (three years)

The Company's share price over the three-year measurement period rose from 116.25p to 353.75p and market capitalisation grew from £170.6m to £538.9m, with £6.3m returned to shareholders by way of dividend.



Awards granted in 2016 (audited information)

The following PSP awards were made in the year to 31 March 2017:

Director	Number of shares awarded	Vesting date
H R Chae	152,613	8 July 2019
G S Hardcastle	92,803	8 July 2019

Notes:
No variations were made to the terms of the awards in the year
The latest closing share price as at the date on which the awards were made, 30 June 2016, was 264p.

The performance criteria for awards currently in issue but not vested are as follows:

	Adjusted 2014 EPS* (p)	Award 2014* vesting	Adjusted 2015 EPS (p)	Award 2015* vesting	Adjusted 2016 EPS* (p)	Award 2016* vesting	Adjusted 2017 EPS* (p)	Award 2017* vesting
	3 year RPI +25%	25%	3 year RPI +25%	25%	3 year RPI +25%	25%	3 year RPI +25%	25%
	3 year RPI +40%	100%	3 year RPI +40%	100%	3 year RPI +40%	100%	3 year RPI +40%	100%
Adjusted EPS at	**31 March 2016**		**31 March 2017**		**31 March 2018**		**31 March 2019**	

* Straight line vesting occurs between these points

The value of the PSP awards, based on the market price of the Company's shares on the day prior to the date of grant, does not exceed 100% of the base salary of the participant to whom the award has been made.

Value Creation Plan

The Group Chief Executive and Group Finance Director, together with the Executive Team, participate in the Scapa Group plc 2015 Value Creation Plan which was approved by shareholders in General Meeting on 16 November 2015 ('the Plan'). The Plan is intended to directly align Senior Executives' interests with those of shareholders by connecting remuneration specifically with shareholder value. Entitlements under the Plan were awarded in February 2016 and are set out below. The Plan includes an overall cap on the value of Company shares that can be delivered, as well as an 'off-set' mechanism whereby any shares that may be delivered under the Plan are reduced by the value of any shares that vest pursuant to awards made under the PSP in the financial years ending 31 March 2016, 2017 and 2018.

The Plan will reward participants for creating value through growth in the Company's share price in excess of £1.95 and up to £5.00 per share, measured on 31 March 2018 and 31 March 2020 (each a 'Measurement Date') and subject to gateway share price targets of £3.00 on the first Measurement Date and £4.00 on the second Measurement Date. If the gateway target is not met on the first Measurement Date, none of the awards will vest unless and until the gateway target of £4.00 is achieved on the second Measurement Date. For the purposes of the Plan, the share price on each Measurement Date will be the average closing price of the Company's shares over the 30-day period commencing on the Measurement Date. Awards vested in respect of the first Measurement Date are subject to a 24-month holding period.

The maximum pool available to participants is 5% of the value created above a share price of £1.95 up to a share price of £5.00. Assuming there were no changes to the number of shares in issue during the life of the Plan (150,033,428 at 31 March 2016), if the share price increases to £5.00 or above, the Plan would pay out a maximum of approximately £22.9m ((150 million shares x 5%) x (£5.00 – £1.95)). The aggregate number of shares in respect of which awards would crystallise at that time would therefore be 4.6 million shares. The Group Chief Executive, who has been granted a 40% participation, would hold an option to acquire 1.8 million shares and the Group Finance Director, who has been granted a 20% participation, would hold an option to acquire 0.9 million shares. These options would be reduced by the value of awards vested under the PSP, as described above.

No further awards were granted in 2017.

Dilution limits

The Company's share plans are subject to dilution limits approved by shareholders at the Company's 2009 Annual General Meeting, that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital. On the assumption that all outstanding awards vest and will be exercised, and including all exercised awards as at 31 March 2017, the Company will have utilised 9.6% of the 10% in the ten years.

SAYE SCHEME (AUDITED INFORMATION)

During the year, the following SAYE share options were held and exercised by the Executive Directors:

Director	Shares under option at 31 March 2016	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option at 31 March 2017
H R Chae	5,660	–	–	–	**5,660**
P Edwards	5,660	–	–	–	**5,660**

Note: these options, granted under an all-employee share scheme, are not subject to performance conditions.

CHANGE IN REMUNERATION OF CHIEF EXECUTIVE COMPARED TO GROUP EMPLOYEES

The table below sets out the increase in remuneration of the Chief Executive and that of the Leadership Team, which comprises 25 employees (excluding new starters during the year):

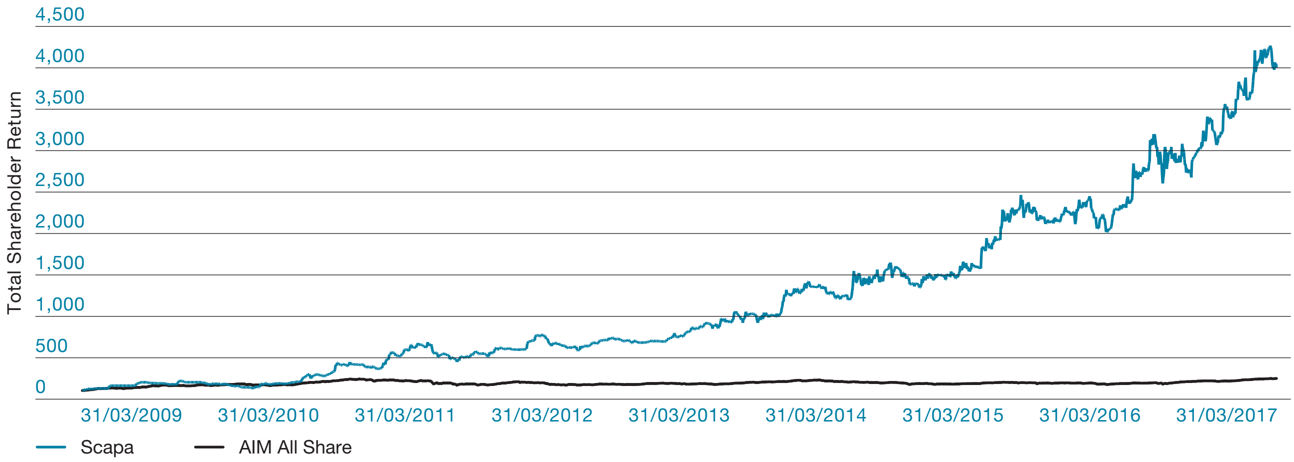
	Percentage change in remuneration in 2016 compared with remuneration in 2017	
	Chief Executive	Leadership Team
Salary/fees	9.2%	6.9%
Benefits	0.3%	–
Annual bonus	3.8%	13.7%
Total remuneration*	3.7%	9.0%

* Excludes share-based payments and share price incentives as these do not permit fair comparison with the Leadership Team

The Committee has selected the Leadership Team as the most relevant comparator group, taking into account the structure of remuneration and ability of the Leadership Team to earn a bonus in addition to receiving a base salary.

TOTAL SHAREHOLDER RETURNS (EIGHT YEARS)

The graph below shows the Company's total shareholder returns (TSR) compared to the FTSE AIM All Share Index over the last eight years. TSR is defined as share price growth plus reinvested dividends. The Directors consider the FTSE AIM All Share Index to be the most appropriate index against which the TSR of the Company should be measured because it is an index of similar sized companies to Scapa Group plc.



HISTORICAL CHIEF EXECUTIVE REMUNERATION

The table below summarises the Chief Executive single figure for total remuneration outcomes over the last eight years:

H R Chae	2010	2011	2012	2013	2014	2015	2016	2017
Chief Executive single figure of remuneration (£)	189,238	521,973	598,288	993,945	1,169,004	854,681	3,225,419	**3,472,881**
Annual bonus payout (% of target)	0%	61%	66%	76%	100%	100%	100%	**100%**
LTIP vesting (% of maximum opportunity)	n/a	n/a	n/a	100%	0%	0%	100%	**100%**

DIRECTORS' SERVICE CONTRACTS

The following table sets out the details of the service contracts and letters of appointment for the Directors who were in office during the year under review:

Director	Effective date of service contract/ letter of appointment	Unexpired term at 31 March 2017	Notice period
Executive Directors			
H R Chae	7 September 2009	–	12 months
G S Hardcastle	1 February 2016	–	6 months
P Edwards	20 September 2010	–	Retired 30 April 2016 from the Board and 31 October 2016 from the Company
Non-Executive Directors			
L C Pentz	3 January 2017	3 years, 4 months	3 months
R J Perry	2 June 2005	1 year, 0 months	1 month
M T Sawkins	1 January 2015	1 year, 4 months	3 months
D C Blackwood	1 May 2016	2 years, 4 months	3 months
J A S Wallace	30 August 2007	–	Retired 31 March 2017
M C Buzzacott	1 March 2008	–	Retired 31 May 2016

STATEMENT OF SHAREHOLDER VOTING

The results of the vote on the Remuneration report at the Company's 2016 Annual General Meeting are set out in the table below:

Votes cast	Votes for		Votes against		Votes withheld
Number	Number	%	Number	%	Number
96,062,476	84,862,663	88.34	11,199,813	11.66	109,829

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out the actual expenditure of the Company and difference in spend in 2016 and 2017 on total pay costs of the Group's employees, trading profit before income tax and distributions to shareholders:

	For the year to 31 March 2017 £m	For the year to 31 March 2016 £m	% change
Total employee pay	**71.0**	64.3	10.4
Trading profit	**29.2**	21.3	37.1
Dividend	**2.6**	2.2	18.2

DIRECTORS' SHAREHOLDINGS AND INTERESTS IN SHARES

The following table sets out the shareholdings and beneficial interests of the Directors and their connected persons in Scapa's shares as at 31 March 2017:

	31 March 2017					31 March 2016				
	Shares		SAYE	Performance Share Plan		Shares		SAYE	Performance Share Plan	
H R Chae	**1,127,104**	**2015/16**	**5,660**	**2009/10**	**–**	941,803	2015/16	5,660	2009/10	400,000
				2010/11	**–**				2010/11	–
				2011/12	**–**				2011/12	–
				2012/13	**–**				2012/13	–
				2013/14	**–**				2013/14	425,000
				2014/15	**336,364**				2014/15	336,364
				2015/16	**192,683**				2015/16	192,683
				2016/17	**152,613**					
G S Hardcastle	**20,000**	**2015/16**	**–**	**2015/16**	**–**	–	2015/16	–	2015/16	–
				2016/17	**92,803**					
P Edwards[1]	**–**	**2015/16**	**5,660**	**2010/11**	**–**	597,719	2015/16	5,660	2010/11	–
				2011/12	**–**				2011/12	–
				2012/13	**–**				2012/13	–
				2013/14	**–**				2013/14	262,500
				2014/15	**–**				2014/15	207,273
				2015/16	**–**				2015/16	117,907
L C Pentz[2]	**–**					–				
J A S Wallace	**70,000**					870,000				
R J Perry	**300,000**					300,000				
M T Sawkins	**30,231**					30,231				
D C Blackwood	**15,128**					–				
M C Buzzacott[3]	**100,000**					250,000				
	1,662,463		**11,320**		**774,463**	2,989,753		11,320		1,941,727

1 Retired 30 April 2016 from the Board and 31 October 2016 from the Company
2 Appointed as Non-Executive Chairman-Designate 3 January 2017
3 Retired 31 May 2016

LOSS OF OFFICE PAYMENTS

Loss of office payments are made in line with a Director's individual service contract. No loss of office payments were made during the year. No payments have been made to the Directors that are not included in the single figure of remuneration set out previously.

Paul Edwards retired from the Board on 30 April 2016 and from the Company on 31 October 2016. Mr Edwards received an annual bonus in respect of the financial year ended 31 March 2016 at the rate of 100% of salary, which was paid in June 2016. Mr Edwards was entitled to exercise awards made under the PSP in 2013, which vested in July 2016, and were subsequently exercised in August 2016. All other awards under the PSP lapsed on cessation of employment. All awards under the SAYE scheme were exercised in accordance with the rules of the scheme in April 2017. Mr Edwards received no loss of office payments.

MOVEMENTS IN SHARE PRICE DURING THE YEAR

The mid-market price of the Company's shares at the end of the financial year was 353.75p and the range of mid-market prices during the year was between 209.8p and 377.0p.

ADVICE RECEIVED BY THE COMMITTEE

The Committee has access to advice when it considers appropriate. In the year ended 31 March 2017, the Committee received material assistance and advice from the Group HR Director and the Company Secretary. The Committee also received advice relating to specific Executive compensation from Deloitte LLP who were paid £21,000 and from Kepler who were paid £3,000.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Components of remuneration

Effective from 1 January 2017, the salary of the Chief Executive is £440,000 and will be reviewed with effect from 1 January 2018.

The salary of Graham Hardcastle is £245,000 with effect from 1 February 2016 and will be reviewed with effect from 1 June 2017.

Pension and benefits are in line with policy.

There was no change to the maximum opportunity under the Company's annual bonus plan. The performance measure remains growth in Group trading profit. Targets are not disclosed, as the Board considers the nature of that information to be commercially sensitive.

There was no change in the maximum PSP opportunity for the Executive Directors; awards of 100% of salary are expected to be made in 2017 to Heejae Chae and Graham Hardcastle. Performance will be assessed against growth in adjusted EPS over the three-year period ending 31 March 2020, as follows:

Adjusted EPS Performance Criteria	Award 2017 vesting
3 year RPI +25%	25%
3 year RPI +40%	100%

Note: Straight-line vesting occurs between these points

Non-Executive Directors will be paid a base fee of £40,000 per annum plus £5,000 for chairing a Board Committee and £2,000 for the Senior Independent Director. From 3 January 2017, the appointment date of the new Chairman, the Chairman's fee was increased to £125,000 per annum. This includes a fee for chairing the Nominations Committee.

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 23 May 2017 and signed on its behalf by:

M T Sawkins
Chairman of the Remuneration Committee
23 May 2017

DIRECTORS' REPORT

OTHER DISCLOSURES

Pages 68 to 70 inclusive (together with sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Scapa Group plc is the holding company for a global group of companies operating in the manufacture of bonding products and adhesive components for applications in the healthcare and industrial markets. A review of the performance and future development of the Group's business is contained on pages 1 to 37 and forms part of this report.

RESULTS AND DIVIDENDS

Trading profit was £29.2m (2016: £21.3m), an increase of £7.9m. Exceptional charges in the year were £1.0m (2016: £6.6m). No interim dividend was paid to shareholders (2016: £Nil). The Directors recommend payment of a final dividend of 2.0p (2016: 1.75p).

A profit before tax of £21.8m (2016: £9.8m) was recorded for the year ended 31 March 2017, with basic and diluted earnings per share of 11.6p and 11.1p respectively (2016: 4.1p and 3.9p respectively).

GOING CONCERN

In presenting the annual and interim financial statements, the Directors aim to present a fair, balanced and understandable assessment of the Group's position and prospects. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion the Directors have considered the committed facility and assume that the facility can be operated as contracted for the foreseeable future because there is sufficient headroom in the facility covenants. The facility is repayable in June 2018 and the Group expects to be able to renew the facility on favourable terms. In performing this analysis the Directors reviewed downside sensitivity analysis over the forecast period thereby taking into account the uncertainties arising from the current economic climate. The Group continues to adopt the going concern basis in preparing the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 18 July 2017 at the Village Hotel, Pamir Drive, Ashton-under-Lyne, Tameside, Manchester, OL7 0PG. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in a separate document.

SHARE CAPITAL

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in notes 26 and 27 to the Group financial statements on pages 117 to 120. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at General Meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Subject to the provisions of the Company's Articles of Association and the Companies Act 2006, at a General Meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 18 July 2017 are set out in the Notice of Annual General Meeting.

SHARE OPTIONS

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in notes 26 and 27 to the Group financial statements.

PURCHASE OF OWN SHARES

At the forthcoming Annual General Meeting, the Directors will once again seek shareholders' approval, by way of special resolution, for the grant of an authority for the Company to make market purchases of its own shares. The authority sought will relate to up to approximately 10% of the issued share capital and will continue until the Company's next Annual General Meeting. The Directors consider that the grant of the power for the Company to make market purchases of the Company's shares would be beneficial for the Company and accordingly they recommend this special resolution to shareholders. The Directors would only exercise the authority sought if they believed such purchase was likely to result in an increase in earnings per share and it would be in the interests of shareholders generally. The minimum price to be paid will be the shares' nominal value of 5p and the maximum price will be no more than 5% above average middle market quotations for the shares on the five days before the shares are purchased.

SIGNIFICANT AGREEMENTS: CHANGE OF CONTROL

All of the Company's current share plans contain provisions relating to a change of control. On a change of control, outstanding awards would normally vest and become exercisable, subject to the satisfaction of any performance conditions at that time.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office on a change of control.

TAKEOVER DIRECTIVE

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual Directors' holdings is disclosed on page 66. There are no other significant holdings of any individual.

BOARD OF DIRECTORS
The names of the present Directors and their biographical details are shown on pages 40 and 41. In addition, during the year, Paul Edwards retired as Group Finance Director on 30 April 2016, Mike Buzzacott retired as a Non-Executive Director on 31 May 2016 and James Wallace retired as Non-Executive Chairman on 31 March 2017.

At the Annual General Meeting, to be held on 18 July 2017, Larry Pentz will offer himself for election. All other members of the Board will offer themselves for re-election.

APPOINTMENT AND REPLACEMENT OF DIRECTORS
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association, which can be found at www.scapa.com/en/CorporateGovernance and the Corporate Governance Statement on pages 42 to 46.

EMPLOYEES AND EMPLOYMENT POLICIES
Scapa is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, age, race, colour, nationality, ethnic or national origin, religion, disability, sexuality or unrelated criminal convictions.

Scapa applies employment policies which are believed to be fair and equitable and which ensure that entry into, and progression within, the Company is determined solely by application of job criteria and personal ability and competency.

Scapa aims to give full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their positions or be trained for other suitable positions.

Scapa recognises the importance of good communication with employees and acknowledges that there should be clear channels of communication and opportunities for consultation and dialogue on issues which affect both business performance and employees' working lives. As a global business, the mechanisms for achieving this aim vary between different countries and between different businesses within the Group but include in-house newsletters, bulletins and briefing sessions.

Scapa has a combination of unionised and non-unionised operations across the world and is committed to fostering positive employee relations at all of its locations. Training and links with the educational sector reinforce Scapa's commitment to employee involvement and development.

The 2012 Sharesave five-year share option scheme matured on 1 March 2017 and is now closed.

The 2015 Sharesave three-year share option scheme will mature on 1 September 2018. At 31 March 2017, 135 employees were members of the scheme with options over 435,561 shares. Details of the Executive Directors' options are set out on page 66.

BUSINESS ETHICS
The Company requires compliance by its subsidiaries and employees with the laws and standards of conduct of the countries in which it does business. This includes legislation implementing anti-corruption and competition law compliance. Employees are required to avoid conflicts of interest regarding Company business, to act lawfully and ethically, and to be responsible for communicating in good faith any non-compliance issues of which they become aware.

The Company and all senior employees are formally subscribed to a Code of Conduct to document and confirm such compliance.

GREENHOUSE GAS EMISSIONS
Information regarding the Company's use of greenhouse gas emissions is described in the Sustainability Report on page 36.

RESEARCH AND DEVELOPMENT
The Group's spend on research and development is disclosed in note 3 to the Company financial statements and is focused on developing new derivative product applications for addressing and resolving customer and market requirements.

FINANCIAL RISK MANAGEMENT
The Group's approach to managing financial risk is covered in note 22 to the Group financial statements.

POLITICAL DONATIONS
No political donations were made during the year (2016: £Nil).

AUDITOR
So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

UK CORPORATE GOVERNANCE CODE
The Company's statement on Corporate Governance can be found in the Corporate Governance Report on pages 42 to 46. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

By order of the Board

G S Hardcastle
Group Finance Director and
Company Secretary
23 May 2017

Registered Office:
Manchester Road
Ashton-under-Lyne
Greater Manchester
OL7 0ED

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, IAS 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 23 May 2017 and is signed on its behalf by:

By order of the Board

H R Chae
Group Chief Executive

G S Hardcastle
Group Finance Director

23 May 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCAPA GROUP PLC

OPINION ON FINANCIAL STATEMENTS OF SCAPA GROUP PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;
- the Group and Company Statement of Accounting Policies; and
- the related Consolidated notes 1 to 31 and Parent Company notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

SUMMARY OF OUR AUDIT APPROACH

Key risks	The key risks that we identified in the current year were: • Inventory valuation • Retirement benefits • Carrying value of goodwill, intangible and certain tangible fixed assets and investments in subsidiaries • Acquisition accounting. Within this Independent Auditor's Report, any new risks are identified with ⓐ and any risks which are the same as the prior year identified with ⓑ.
Materiality	The materiality that we used in the current year was £1,000,000 which was determined on the basis of 4.4% of adjusted profit before tax.
Scoping	Based on our scoping assessment, our audit work covered 97% of the Group's profit before tax, 95% of the Group's revenue and 96% of the Group's net assets.
Significant changes in our approach	During the year the Group acquired 100% of the ordinary share capital of EuroMed Inc. We have included EuroMed Inc. as a full scope component in the current year and have included acquisition accounting in relation to the purchase as a key risk in the current year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCAPA GROUP PLC CONTINUED

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group	We are required to state whether we have anything material to add or draw attention to in relation to: • the directors' confirmation on page 19 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on pages 15 to 18 that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the accounting policies note to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation on page 19 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We confirm that we have nothing material to add or draw attention to in respect of these matters. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. Last year our report included a risk related to exceptional items which has not been included in the current year due to the significant reduction in quantum and judgement of exceptional items in the current year.

Inventory valuation

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
Inventory is a significant balance sheet caption with gross inventory balances of £33.2 million (2016: £29.5 million) and provisions of £2.5 million (2016: £2.4 million) held by the Group at the year end. There is a specific risk arising in relation to the valuation of inventory (both in terms of the absorption of overheads into work in progress and finished goods and the provisions held against it) as disclosed in note 17 and on page 48 of the Audit and Risk Committee's Report. The calculation to determine the standard cost of inventory is complex. In particular the estimates involve the calculation of overhead absorption rates in work in progress and finished goods, such as percentages of labour and type of overhead costs to be absorbed. Judgement is also needed to calculate the level of inventory provisions for aged, obsolete and/or damaged stock to ensure that the inventory held by the Group is held at the lower of cost and net realisable value in line with the requirements of IAS 2.	We tested the design and implementation of key controls in the inventory cycle. We performed tests of detail to confirm that inventory is valued at the lower of cost and net realisable value, through testing of labour and overhead absorption into inventory and post period end sales values. In addition we challenged the appropriateness of the Group's inventory provisioning policy and tested the application of the policy by assessing inventory ageing profiles and comparing the historical levels of write offs against the amounts provided. We also attended year-end inventory counts, covering £31.2 million, 94.0%, (2016: £28.1 million, 95.3%) of the year end gross inventory balance. At the inventory counts, along with other procedures, we assessed the condition of inventory to evaluate the adequacy of inventory provisions for obsolete and damaged goods.	The value of inventory held is appropriate and in line with the requirements of IAS 2. We are satisfied that the judgements made by management in calculating the provisions in place and the overheads absorbed into inventory at year end are reasonable based on the audit evidence obtained.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCAPA GROUP PLC CONTINUED

Acquisition accounting

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
On 23 May 2016 the Group acquired 100% of the share capital of Euromed Inc. for consideration of £28.3 million as disclosed in the critical judgements section of the accounting policies note, note 12 and on page 48 of the Audit and Risk Committee's report. Therefore we have a new risk in the current year which concerns the judgements applied in determining: • the identification and valuation of intangible assets; and • the fair values of the assets and liabilities acquired. The risk identified also concerns the Group's disclosures, specifically whether they meet the requirements of IFRS 3 'Business Combinations'.	We reviewed the sale and purchase agreement for evidence of any warranties or provisions in order to challenge the assumptions underpinning fair value adjustments made by management to the assets and liabilities acquired and to assess the completeness of the adjustments made. We also assessed the design and tested the implementation of key controls in relation to acquisition accounting. We challenged the rationale used by management in the identification of intangible assets acquired. We have also challenged the assumptions underpinning the cash flow forecasts that have been used to value the intangible assets acquired. We performed substantive testing on the opening balance sheet acquired and we reviewed the disclosures in the annual report and accounts to ensure compliance with the requirements of IFRS 3.	We concluded that the intangible assets identified are appropriate and the assumptions used in calculating the value assigned to these assets are reasonable. We concluded that the fair value of assets and liabilities acquired are appropriate and that the disclosures made in note 12 to the accounts are in line with the requirements of IFRS 3.

Retirement benefits

RISK DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK	KEY OBSERVATIONS
The Group has a net deficit on its retirement benefit schemes of £31.4 million (2016: £27.5 million). This risk concerns the appropriateness of actuarial assumptions in calculating the Group's IAS 19 liability. The valuation of the Group's IAS 19 deficit involves significant judgement as described on page 48 of the Audit and Risk Committee's Report, the critical accounting judgements section of the accounting policies and note 25, in particular in relation to the discount rate, inflation and mortality assumptions. Further details can be found in point 2 of the critical accounting judgements on page 87.	We considered the appropriateness of the assumptions underpinning the valuation of pension scheme liabilities provided by the Group's actuary. Specifically we challenged the discount rate, inflation and mortality assumptions applied in calculating the scheme liabilities by using our internal pension specialists and benchmarking against comparable third party data. We assessed the competency of the Group's actuary and assessed whether the requirements of IFRS are met in accounting for the pension scheme. We also assessed the design and tested the implementation of management's key controls in relation to valuation of the retirement benefit obligation.	We are satisfied that the assumptions used in the calculation of the Group's retirement benefit obligation are reasonable and fall in the middle of our reasonable range based on our benchmark data. We have concluded that the liability has been appropriately calculated.

Carrying value of goodwill, intangible and certain tangible fixed assets and investments in subsidiaries		
RISK DESCRIPTION	**HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK**	**KEY OBSERVATIONS**
The Group has £56.4 million (2016: £34.7 million) of goodwill in relation to Acutek, Webtec, First Water and EuroMed. The balance has increased due to the acquisition of EuroMed in the year and the impact of foreign exchange. The Group also holds intangible assets in relation to the acquisition of EuroMed of £5.2 million (2016: £Nil) and First Water of £1.4 million (2016: £2.4 million). The Group holds tangible fixed assets of £49.3 million (2016: £46.1 million). The carrying value of the Parent Company's investments at 31 March 2017 is £136.1 million (2015: £135.5 million). The impairment risk relates to the key sources of estimation required in calculating the discounted future cash flows of each of the relevant cash generating units which support the value of the goodwill and intangible assets balance as described in notes 13 and 14 and the investments in subsidiaries in the Parent Company's Balance Sheet. This is described in the Audit and Risk Committee's Report on page 48 and the key sources of estimates section of the accounting policies, with particular attention to cash flow, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in management's impairment model for goodwill, intangible assets, certain tangible fixed assets and investments. As part of our procedures we tested the clerical accuracy of the models and assessed whether they were prepared on a consistent basis with the prior year. We have challenged management's assumptions in relation to growth rates by reference to the historical trading performance and comparing recent growth rates of both revenue and operating profit across the Group's geographical and market segments, and against latest market expectations. In performing our procedures in relation to the appropriateness of the discount rate, we used internal valuation specialists and third party evidence to assess the appropriateness of the discount rates applied. We assessed the design and tested the implementation of controls in relation to the preparation of cash flow forecasts and in the calculation of the discount rate used by management.	We concluded that the assumptions applied in the impairment models were appropriate and no additional impairments were identified.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

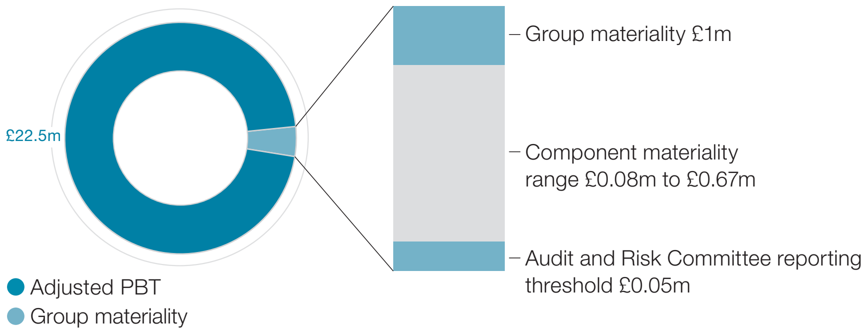
OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1,000,000 (2016: £775,000)
Basis for determining materiality	4.4% of adjusted profit before tax (2016: 4.3%).
Rationale for the benchmark applied	Profit before tax is used as the benchmark for materiality as it is considered the critical performance measure of the Group. In line with the prior year, the current year profit before tax has been adjusted for exceptional items incurred in the year related to site closure costs and asset write offs as disclosed in note 4 of the accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCAPA GROUP PLC CONTINUED



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £50,000 (2016: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The increase is to align with market practice. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at eleven (2016: ten) components. The increase is due to the acquisition of EuroMed in the period.

The structure of the Group's finance function is such that certain transactions are accounted for at the central European shared service centre based in the United Kingdom, where we centralised elements of our audit work, with the remainder accounted for in the operating units or at consolidation level.

Given the nature of the Group's corporate structure, where all evidence relating to each component is compiled at the Group's central European shared service centre, the Group audit team undertook all the audit work for four of the European full scope components. In addition the Group audit team performed audit work for the new acquisition of EuroMed and the existing US and Canadian locations and visited those components. The work on all seven of these full scope components was led by the senior statutory auditor.

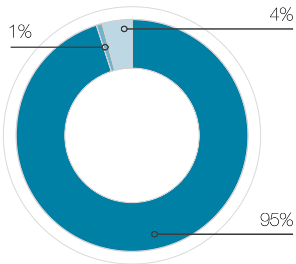
Ten (2016: nine) of the components were subject to a full audit, whilst one (2016: one) was subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

In terms of the three full scope components, for which the audit work was not led by the senior statutory auditor we included the component audit teams in our team briefing, discussed their risk assessment, attended relevant close meetings and reviewed documentation of the findings from their work.

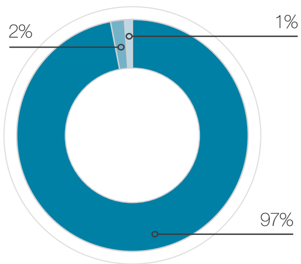
The components which were subject to a full scope audit represent the Group's principal business units and account for 95% (2016: 95%) of the Group's revenue, 96% (2016: 96%) of the Group's net assets and 97% (2016: 100%) of the Group's profit before tax (offset on consolidation by losses elsewhere in the Group). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The other component subject to more limited audit procedures covers a further 1.2% (2016: 1.5%) of the Group's revenue.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

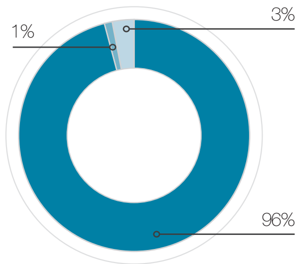
REVENUE



PROFIT BEFORE TAX



NET ASSETS



- Full audit scope
- Specified audit procedures
- Review at Group level

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report arising from this matter.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCAPA GROUP PLC CONTINUED

Other matters

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

Corporate governance statement

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

C. D. Robertson

Christopher Robertson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, UK
23 May 2017

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

All on continuing operations	note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Revenue	1	**279.6**	246.7
Operating profit	1, 3	**23.8**	11.7
Trading profit*		**29.2**	21.3
Amortisation of intangible assets		**(3.7)**	(2.3)
Exceptional items	4	**(1.0)**	(6.6)
Pension administration costs		**(0.7)**	(0.7)
Operating profit		**23.8**	11.7
Finance costs	8	**(2.0)**	(1.9)
Profit on ordinary activities before tax		**21.8**	9.8
Taxation charge	9	**(4.2)**	(3.7)
Profit for the year		**17.6**	6.1
Weighted average number of shares	10	**151.1**	148.3
Basic earnings per share (p)	10	**11.6**	4.1
Diluted earnings per share (p)	10	**11.1**	3.9
Adjusted earnings per share (p)**	10	**14.8**	10.6

* Operating profit before 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 2017

All on continuing operations	note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Profit for the year		**17.6**	6.1
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		**12.7**	2.5
Actuarial (loss)/gain	25	**(6.9)**	7.9
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial loss/(gain)		**–**	(0.2)
Other comprehensive income for the year		**5.8**	10.2
Total comprehensive income for the year		**23.4**	16.3

The notes on pages 92 to 122 form part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

	note	31 March 2017 £m	31 March 2016 £m
Assets			
Non-current assets			
Goodwill	13	**56.4**	34.7
Intangible assets	14	**6.6**	3.4
Property, plant and equipment	15	**49.3**	46.1
Deferred tax asset	9	**8.0**	7.6
Other receivables		**0.2**	–
		120.5	91.8
Current assets			
Assets classified as held for sale	16	**5.1**	–
Inventory	17	**30.7**	27.1
Trade and other receivables	18	**57.2**	47.9
Current tax asset		**1.4**	0.6
Cash and cash equivalents	19	**12.1**	18.7
		106.5	94.3
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	21	**(1.2)**	(1.0)
Trade and other payables	20	**(52.0)**	(45.2)
Deferred consideration		**(0.1)**	(0.1)
Current tax liabilities		**(1.1)**	(0.2)
Provisions	24	**(1.3)**	(3.9)
		(55.7)	(50.4)
Net current assets		**50.8**	43.9
Non-current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	21	**(27.0)**	(20.3)
Trade and other payables	20	**(0.1)**	(0.2)
Deferred consideration		**–**	(0.1)
Deferred tax liabilities	9	**(7.1)**	(6.4)
Non-current tax liabilities		**(2.9)**	(2.0)
Retirement benefit obligations	25	**(31.4)**	(27.5)
Provisions	24	**(2.4)**	(1.5)
		(70.9)	(58.0)
Net assets		**100.4**	77.7
Shareholders' equity			
Ordinary shares	26	**7.6**	7.5
Share premium		**0.4**	0.4
Retained earnings		**59.2**	49.3
Translation reserve		**33.2**	20.5
Total shareholders' equity		**100.4**	77.7

The notes on pages 92 to 122 form part of these financial statements. These financial statements were approved by the Directors on 23 May 2017.

H R Chae
Group Chief Executive

G S Hardcastle
Group Finance Director

Registered in England No. 826179

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2015	7.4	0.4	18.0	36.0	61.8
Employee share option scheme – value of employee services	–	–	–	1.8	1.8
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(2.2)	(2.2)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(0.5)	(0.4)
Currency translation differences	–	–	2.5	–	2.5
Actuarial gain on pension schemes	–	–	–	7.9	7.9
Deferred tax on actuarial gain	–	–	–	(0.2)	(0.2)
Net income recognised directly in equity	–	–	2.5	7.7	10.2
Profit for the period	–	–	–	6.1	6.1
Total comprehensive income	–	–	2.5	13.8	16.3
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**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

All on continuing operations	note	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Cash flows from operating activities			
Net cash flow from operations	28	**29.1**	16.5
Cash generated from operations before exceptional items	28	**32.7**	19.0
Cash outflows from exceptional items	28	**(3.6)**	(2.5)
Net cash flow from operations		**29.1**	16.5
Net interest paid		**(1.2)**	(0.6)
Income tax paid		**(2.8)**	(3.0)
Net cash generated from operating activities		**25.1**	12.9
Cash flows used in investing activities			
Acquisition of subsidiary	12	**(27.7)**	–
Purchase of property, plant and equipment		**(8.3)**	(9.8)
Purchase of capitalised development costs		**(0.1)**	–
Proceeds from sale of property, plant and equipment		**–**	0.1
Net cash used in investing activities		**(36.1)**	(9.7)
Cash flows generated from/(used in) financing activities			
Dividends		**(2.6)**	(2.2)
Increase in borrowings		**33.4**	5.7
Repayment of borrowings		**(27.5)**	(4.9)
Net cash generated from/(used in) financing activities		**3.3**	(1.4)
Net (decrease)/increase in cash and cash equivalents		**(7.7)**	1.8
Cash and cash equivalents at beginning of the year		**18.7**	16.7
Exchange gains on cash and cash equivalents		**1.1**	0.2
Total cash and cash equivalents at end of the year	19	**12.1**	18.7

GROUP ACCOUNTING POLICIES

Scapa Group plc ('the Company') and its subsidiaries (together 'the Group') manufacture bonding products and adhesive components for applications in the healthcare and industrial markets. The Group has manufacturing plants around the world and sells mainly in countries within Europe, North America and Asia.

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 997 Manchester Road, Ashton-under-Lyne, Manchester, OL7 0ED. The Company has its listing on the Alternative Investment Market.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 May 2017.

A summary of the more important Group accounting policies applied in the preparation of these consolidated financial statements is set out below.

BASIS OF PREPARATION
The consolidated financial statements of Scapa Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the Income Statement.

GOING CONCERN
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 68 and in the Viability Statement on page 19.

EARLY ADOPTION OF STANDARDS
The Group has not early adopted any Standards in the current or prior year.

ADOPTION OF NEW AND REVISED STANDARDS
The following amendments have been adopted in the year:

IFRS 1 "Clarification of the meaning of 'effective IFRSs'"
IFRS 3 "Clarification of the scope exclusion for joint ventures"
IFRS 13 "Clarification of the scope of the portfolio exemption"
IAS 40 "Clarification of the relationship between IFRS 3 and IAS 40"
IAS 19 "Defined benefit plans: employee contributions"
Annual improvements to IFRSs 2010-2012 cycle (Dec 2014)
Annual improvements to IFRSs 2011-2013 cycle (Dec 2013)

The above interpretations and revised standard have not had any material impact on the amounts reported in these financial statements or the disclosures required.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial instruments
IFRS 14 Regulatory deferral accounts
IFRS 15 Revenue from contracts with customers
IFRS 16 Leases
IRFIC 22 Foreign currency transactions and advance consideration
Amendments to IAS 1 Disclosure initiative
Amendments to IFRS 10, IFRS 12 and IAS 28 The application of the investment entities exemptions
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IFRS 11 Accounting for acquisitions of interest in joint operations
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 27 Equity method in separate financial statements
Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses
Amendments to IAS 7 Disclosure initiative
Amendment to IAS 16 and IAS 41 Agriculture: Bearer plants
Annual improvements to IFRSs 2012-2014 cycle (Sep 2014)
Annual improvements to IFRSs 2014-2016 cycle (Dec 2016)

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

IFRS 9 will impact both the measurement and disclosures of financial instruments;
IFRS 15 may have an impact on revenue disclosures but is unlikely to impact significantly the financial statements; and
IFRS 16 will impact the recognition, measurement and disclosure of operating leases. It is considered that a material amount of lease assets and liabilities will require recognition on the Group balance sheet as the lessee recognises a 'right-of-use' asset for all leases. It is anticipated that finance charges will require reclassification in the Group income statement.

Beyond the information above, it is not practicable to provide a reasonable financial estimate of the effect of these standards until a detailed review has been completed.

CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the date the Company gains control of the subsidiary or until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation.

The Group has an interest in Scapa Scottish Limited Partnership, whose head office is located at 13 Queens Road, Aberdeen, AB15 4YL. The financial statements of the Group include the results and financial position of the Group's interest in Scapa Scottish Limited Partnership. Accordingly advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008 from the requirements for the preparation, delivery and publication of the partnership's accounts.

SEGMENTAL REPORTING

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision maker. The Group adopts this policy and the chief operating decision maker has been identified as the Board of Directors. The Directors consider there to be two reportable segments, being the main customer groups which the Group serves in: Industrial and Healthcare (business units).

Internal reports reviewed regularly by the Board provide information to allow the chief operating decision maker to allocate resources and make decisions about the operations. The internal reporting focuses on these business units. The chief operating decision maker relies primarily on turnover and trading profit to assess the performance of the Group and make decisions about resources to be allocated to the segment. Trading profit is reconciled to operating profit on the face of the Income Statement.

REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, and when the Group entity has no continuing managerial involvement nor effective control over the goods.

Where items are sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

TRADING PROFIT

Trading profit is operating profit before amortisation of intangible assets, exceptional items and pension administration costs.

EXCEPTIONAL ITEMS

Items which are both material, either qualitatively or quantitatively, and non-recurring in nature are presented as exceptional items so as to provide a better indication of the Group's underlying business performance and are shown separately on the face of the Income Statement. Items classed as exceptional in the Income Statement are treated as exceptional in the cash flow until the items are fully unwound.

OPERATING PROFIT

Operating profit is trading profit stated after charging all exceptional costs, pension administration costs and the amortisation of intangible assets, but before investment income and finance costs.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Leases in which substantially all of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised as assets and liabilities in the Balance Sheet at the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount rate in calculating the present value of the cash outflows. Where the Group does not obtain ownership of the asset at the end of the lease period, the asset is depreciated over the shorter of its useful life and the lease term. Where ownership does pass to the Group at the end of the lease period, the policy for depreciating the asset is consistent with that for depreciable assets that are owned.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is calculated based on the amount of borrowing outstanding, and is charged against profits over the primary lease period.

GOVERNMENT GRANTS

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relate to tangible fixed assets and are treated as deferred income, and are credited to the Income Statement over the expected useful lives of the assets concerned.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research expenditure is expensed as incurred. Costs associated with developing or enhancing existing product lines are recognised as an expense as incurred. Development costs are assessed as to whether they meet the IAS 38 criteria for capitalisation.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet; and

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of long-term borrowings that are considered to form part of that net investment, are taken to the translation reserve within shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

BUSINESS COMBINATIONS AND GOODWILL

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred, and are normally treated as exceptional.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill is tested annually for impairment, or when an indication of impairment is identified, and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group’s investment in each site.

PROPERTY, PLANT AND EQUIPMENT (INCLUDING LAND AND BUILDINGS)
Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement when incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

- Freehold buildings: 40 years
- Leasehold buildings: life of the lease
- Plant and machinery: 5–20 years
- Furniture, fittings and equipment: 5–20 years
- IT systems: 3–8 years

Assets held in the course of construction are not depreciated until they are brought into use.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement within operating profit.

ASSETS HELD FOR SALE
Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale or transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain interest in its former subsidiary after the sale.

INTERNALLY GENERATED INTANGIBLE ASSETS

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Internally generated intangible assets arising from development are recognised only if all of the following conditions have been demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use
- The intention to complete and use the asset
- How the asset will generate probable future economic benefit
- The availability of adequate technical, financial and other resources to complete the development and to use the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the same as the expenditure incurred from the date when the asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment.

INTANGIBLE ASSETS

All acquired intangible assets are measured at cost and are amortised on a straight-line basis over their estimated useful lives. All of the Group's intangible assets have finite lives, the lengths of which are disclosed separately under the notes in the accounts.

IMPAIRMENT OF ASSETS

Assets, such as goodwill, that have an indefinite useful life are not subject to amortisation and instead are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value in use is determined based on the estimated future cash inflows and outflows derived from the continued use of the asset and from its ultimate disposal. These forecasts form the basis of the Group's annual budget, have been signed off by the Board and are the best estimates available to management in assessing future profitability. These cash flows are discounted using the Group's pre-tax weighted average cost of capital of 10.0% (2016: 10.0%), adjusted to reflect any risks specific to the asset for which the estimated future cash flows have not already been adjusted (see note 13).

Where the recoverable amount of assets (other than goodwill) subsequently materially increases, impairment losses recognised in previous periods will be reversed.

FINANCIAL INSTRUMENTS

The Group has financial instruments in the form of loans, receivables and payables.

Loans, receivables and payables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or creditor with no intention of trading the receivable or payable. They are included in current assets or liabilities, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets or liabilities. Loans and receivables are included in trade and other receivables or trade and other payables in the Balance Sheet. Loans, receivables and payables are measured at invoice or historic cost less any impairment.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads allocated on a systematic basis (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow moving and defective inventory on a line by line basis, or by grouping similar or related items, by reference to accumulated experience.

TRADE RECEIVABLES

Trade receivables are recognised initially at invoice value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The provision is recognised in the Income Statement as an operating charge.

INSURANCE RECEIVABLES

Where some or all of the cost of a provision is reimbursed by another party, the Group recognises that reimbursement when it is virtually certain it will be received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

SHARE CAPITAL

Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or in respect of interim dividends when approved by Directors.

TRADE PAYABLES

Trade payables are recognised at the invoice amount, which is equal to their fair value.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Interest charges are recognised in the Income Statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

TAXATION

Taxation expense, comprising both UK and non-UK taxation, represents the sum of the current tax payable and deferred tax.

Current tax is the tax expected to be payable on taxable profit for the period using tax rates that have been enacted or substantively enacted by the Balance Sheet date, together with any adjustments in respect of previous years. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are not taxable or deductible or are taxable or deductible in other years.

Deferred tax is recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, unless specifically exempt. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised. The resulting charge or credit is recognised in the Income Statement except when it relates to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

DIVIDENDS

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' equity.

Past service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is calculated using appropriate valuation models and is recognised as an expense over the vesting period.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each Balance Sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Holiday pay

The Group recognises an asset or liability relating to holiday pay obligations at the Balance Sheet date. Movements in the period are taken to the Income Statement.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a pre-determined formula for key performance indicators. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(e) Share Price Incentive Plan

The Group accounts for the Share Price Incentive Plan in line with IAS 19 as the basis of compensation is not an award of shares and therefore does not fall under the remit of IFRS 2.

PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where the effect is material, provisions are discounted in line with IAS 37 using a pre-tax nominal discount rate. The discount rate does not reflect risks for which the estimated future outflows have already been adjusted.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's accounting policies have been set by management and approved by the Audit and Risk Committee. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future. These are continually evaluated based on historical experience and expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Under IFRSs estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below) and have been identified as being particularly complex or involve subjective assessments.

1. Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The choice of discount rate applied in the calculation of scheme liabilities is a key judgement in applying the Group's accounting policy (see note 25).

2. Taxation (see note 9). The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provisions for income taxes and the recognition of deferred tax assets. The recognition of deferred tax is based on the availability of suitable future taxable profits of a specific business unit in a specific tax jurisdiction and satisfies the relevant recognition criteria. The assumptions used are considered the best available and reasonable. A significant deterioration in results would need to occur in order to result in an impairment of the deferred tax recognised.

3. In assessing the separable identifiable intangible assets and goodwill for any acquisition, the Group establishes an appropriate fair value and this is assessed in line with external valuation tools and techniques. The valuation techniques used in the identification of separable identifiable intangible assets are a key judgement in the application of the Group's accounting policies.

   In assessing the separable intangible assets and goodwill for the EuroMed acquisition in May 2016, the assumptions used to calculate fair values have been externally assessed as reasonable and are supported by the recoverable amount of the business when calculated at the Group's weighted average cost of capital of 10%.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

1. Impairment of goodwill, intangible assets and property, plant and equipment (see notes 13 to 15). The Group tests annually whether goodwill has suffered any impairment, and tests tangible assets where indication of impairment exists. For goodwill the recoverable amounts of cash-generating units are determined on a value-in-use basis. Determining this value requires the use of estimates. The main estimates are around the forecast cash flows, which are based on approved budgets and growth rates of 3%–10% per annum in years 1–5 and 1% each year thereafter including an assessment of the terminal value. The 3% growth rate is used for the majority of cash flows and the higher rate of 10% is used for two specific cash-generating units. The assumptions used are considered the best available and reasonable. Any reasonable change in the assumptions would not result in any impairment. 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.

2. Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future assumptions applied in the calculation of scheme liabilities, which are set out in note 25, represent a key source of estimation uncertainty for the Group. The Group also applies sensitivities to these assumptions to assess the financial impact; these sensitivities are set out in note 25.

1. 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 chief operating decision maker (CEO) 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 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

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 2017	109.1	139.4	14.1	17.0	**279.6**
External revenue – 31 March 2016	95.4	121.0	15.1	15.2	246.7

The revenue analysis based on the location where the sale occurred is as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2017	114.3	148.8	14.4	2.1	**279.6**
External revenue – 31 March 2016	101.9	129.3	14.0	1.5	246.7

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

1. SEGMENTAL REPORTING CONTINUED

The segment results for the year ended 31 March 2016 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	93.3	153.4	–	246.7
Trading profit/(loss)	14.0	10.7	(3.4)	21.3
Amortisation of intangible assets	(2.3)	–	–	(2.3)
Exceptional items	(1.5)	(4.6)	(0.5)	(6.6)
Pension administration costs	–	–	(0.7)	(0.7)
Operating profit/(loss)	10.2	6.1	(4.6)	11.7
Net finance costs				(1.9)
Profit on ordinary activities before tax				**9.8**
Tax charge				(3.7)
Profit for the year				**6.1**

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	93.3	153.4	–	246.7
Foreign exchange	10.2	18.0	–	28.2
Underlying external revenue	103.5	171.4	–	274.9
Trading profit/(loss)	14.0	10.7	(3.4)	21.3
Foreign exchange	1.9	1.5	–	3.4
Underlying trading profit/(loss)	15.9	12.2	(3.4)	24.7

2. SEGMENT ASSETS AND LIABILITIES

The chief operating decision maker does not review assets and liabilities by business unit but by geographical area. The assets and liabilities at 31 March 2017 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*	**31.4**	**77.0**	**4.1**	**–**	**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

FINANCIAL STATEMENTS

2. SEGMENT ASSETS AND LIABILITIES CONTINUED

The assets and liabilities at 31 March 2016 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*	34.2	46.4	3.6	–	84.2
Inventory	11.9	13.0	2.2	–	27.1
Trade receivables – net	22.1	20.0	1.2	–	43.3
Trade payables	(19.8)	(9.2)	(0.5)	(0.5)	(30.0)
Cash	6.6	3.5	1.8	6.8	18.7
Additions of property, plant and equipment	5.2	2.3	2.0	0.2	9.7

* 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.

3. OPERATING PROFIT

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

	2017 £m	2016 £m
Revenue	**279.6**	246.7
Materials and overheads	**(134.7)**	(121.5)
Factory costs	**(22.7)**	(19.3)
Outward freight costs	**(7.1)**	(6.4)
Directors' and employees' costs	**(71.0)**	(64.3)
Depreciation of tangible fixed assets;		
– owned assets	**(6.1)**	(5.1)
– leased assets	**(0.1)**	(0.1)
Operating lease rentals;		
– land and buildings	**(2.6)**	(2.2)
– plant, machinery and other	**(1.4)**	(1.1)
Repairs and maintenance costs	**(3.1)**	(2.7)
Research and development costs	**(3.7)**	(3.0)
Amortisation of government grants received	**–**	0.1
Foreign exchange gains	**1.1**	0.1
Amortisation of other intangible assets	**(3.3)**	(2.0)
Amortisation of internally generated assets	**(0.4)**	(0.3)
Movement in inventory provision	**(0.1)**	0.2
Impairment loss recognised in trade receivables	**(0.5)**	(1.1)
Exceptional items	**(1.0)**	(6.6)
Pension administration costs	**(0.7)**	(0.7)

3. OPERATING PROFIT CONTINUED

The analysis of auditor's remuneration is as follows:

	2017 £'000	2016 £'000
Audit fees – Parent Company	**99**	85
Audit fees – subsidiary undertakings	**245**	241
Taxation compliance services	**29**	29
Taxation advisory services	**5**	64
Other assurance services	**1**	1
Corporate finance services	**193**	142
	572	562

Total audit fees were £344,000 (2016: £326,000). Total non-audit fees payable to the auditor were £228,000 (2016: £236,000).

4. EXCEPTIONAL ITEMS

	2017 £m	2016 £m
Operating income:		
UK pension settlement gain	**–**	0.6
US pension settlement gain	**–**	1.0
Bellegarde land sale	**–**	0.5
Past service credit	**0.3**	–
Operating expenses:		
Site closure costs	**(0.5)**	(3.5)
Asset write offs and accelerated depreciation	**(0.2)**	(1.6)
Post-combination remuneration	**–**	(2.0)
Reorganisation costs	**–**	(1.2)
Abortive acquisition costs	**–**	(0.4)
Acquisition costs	**(0.6)**	–
	(1.0)	(6.6)

Exceptional operating income

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

The prior year exceptional income related to pension projects in the UK and US £1.6m. In the UK, the offer to a sub-set of members to buy different benefits led to £10.8m of liabilities being extinguished in exchange for assets valued at £10.2m. In the US, a project offering lump sums to deferred members resulted in £5.5m of liabilities being extinguished in exchange for assets valued at £4.5m. The resulting gains of £1.6m have been reported as an exceptional settlement gain, consistent with our historical treatment of legacy defined benefit pension costs. In addition the sale of land relating to a dormant site in Bellegarde France was completed on 31 March 2016 resulting in £0.5m income.

4. EXCEPTIONAL ITEMS CONTINUED

Exceptional operating expenses

The closure of the Rorschach site in Switzerland was announced in April 2015 and subsequently provided for in the 2016 accounts. However, certain costs have been incurred in the period that could not be provided for previously, being retention payments made to certain key members of staff of £0.5m and £0.2m impairment of assets that continued to be used up until cessation of production at the site. The acquisition costs are directly related to the acquisition of EuroMed and are covered in note 12.

The prior year expenses that relate to the closure of the Rorschach site include the impairment of the plant and machinery down to its recoverable value, £1.5m and the then best estimate of costs to close the site of £3.4m The closure costs included all the employee consultation costs, the remediation and building strip-out costs, the legal costs associated with closing the site and certain costs related to revalidating a number of products at alternative sites, essential to ensure the continued production within the Group. These estimates remain our best estimate and no additional provisions have been made in the year. Also during the prior year £2.0m was paid to the former owners of First Water Limited relating to post combination remuneration based on the performance of the business during 2015/16. The Group incurred exceptional costs of £1.2m relating to a Group-wide reorganisation and spent £0.4m on costs associated with potential acquisitions. The purchases were aborted and the costs have been separately disclosed.

5. EMPLOYEE BENEFIT EXPENSE

	2017 £m	2016 £m
Wages, salaries and other benefits	58.0	52.9
Social security costs	8.7	7.3
Share options granted to Directors and employees	1.9	1.8
Pension costs – defined contribution plans (note 25)	2.0	1.9
Pension costs – defined benefit plans (note 25)	0.4	0.4
	71.0	64.3
Pension curtailments and service costs (note 4)	(0.3)	(1.6)
	70.7	62.7

Average employee numbers	2017	2016
Europe	656	686
North America	617	523
Asia	91	115
	1,364	1,324

6. KEY MANAGEMENT COMPENSATION AND DIRECTORS' REMUNERATION

	2017				2016			
	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m
Short-term employment benefits	**2.4**	**0.3**	**2.4**	**5.1**	1.7	0.3	2.1	4.1
Post-employment benefits	**0.1**	**–**	**0.1**	**0.2**	0.1	–	0.1	0.2
Termination benefits	**–**	**–**	**0.3**	**0.3**	–	–	0.2	0.2
Share-based payments (including share incentive plan)	**0.7**	**–**	**0.9**	**1.6**	0.8	–	0.8	1.6
	3.2	**0.3**	**3.7**	**7.2**	2.6	0.3	3.2	6.1

Key management is considered by the Group to be the Executive Team, which comprises certain senior employees. Information about the remuneration of individual Directors is provided in the audited part of the Directors' Annual Remuneration Report on pages 61 to 67.

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

7. RELATED PARTY TRANSACTIONS

In the prior year the Group paid £2.0m of post combination remuneration to the former owners, then employees of First Water Limited.

8. NET FINANCE COSTS

	2017 £m	2016 £m
Interest payable on bank loans and overdrafts	**(1.2)**	(0.7)
Expected return on pension scheme assets less interest on scheme liabilities (note 25)	**(0.8)**	(1.2)
Net finance costs	**(2.0)**	(1.9)

9. TAXATION

Income tax charge

	2017 £m	2016 £m
Current tax:		
Tax on trading activities – current year	**(4.2)**	(3.0)
Tax on trading activities – prior year	**0.3**	0.4
Tax on non-trading items	**–**	0.2
Total current tax	**(3.9)**	(2.4)
Deferred tax:		
Tax on trading activities – current year	**(1.2)**	(2.4)
Tax on trading activities – prior year	**(0.5)**	0.1
Tax on non-trading items	**1.4**	1.0
Total deferred tax	**(0.3)**	(1.3)
Tax charge on trading activities for the year	**(5.6)**	(4.9)
Tax charge on non-trading items for the year	**1.4**	1.2
Tax charge for the year	**(4.2)**	(3.7)

9. TAXATION CONTINUED

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

	2017 £m	2016 £m
Profit on ordinary activities before tax	21.8	9.8
Tax charge at 20% (2016: 20%)	(4.4)	(2.0)
Movements to unprovided deferred tax	2.8	0.6
Income not taxable and other deductions	0.3	0.2
Items not deductible for tax purposes and other taxable items	(1.2)	(1.3)
Effect of overseas tax rates being higher than UK tax rate	(1.5)	(1.7)
Adjustments in respect of prior years	(0.2)	0.5
Actual tax charge for the year	(4.2)	(3.7)

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

	2017 £m	2016 £m
Deferred tax assets:		
– Losses	1.9	2.0
– Provisions and other short-term timing differences	3.8	3.7
– Retirement benefit liabilities	4.3	3.8
	10.0	9.5
Deferred tax liabilities:		
– Accelerated tax depreciation	(3.0)	(2.9)
– Other short-term timing differences	(0.4)	(0.2)
– Tax effect of intangibles	(0.5)	(0.6)
– Provision for potential tax liability	(5.2)	(4.6)
	(9.1)	(8.3)

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:

	2017 £m	2016 £m
Deferred tax assets as above	10.0	9.5
– Accelerated tax depreciation liabilities/assets in different countries	(2.0)	(1.9)
Deferred tax asset on the Balance Sheet	8.0	7.6
Deferred tax liabilities as above	(9.1)	(8.3)
– Accelerated tax depreciation liabilities in different countries	2.0	1.9
Deferred tax liability on the Balance Sheet	(7.1)	(6.4)

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

9. TAXATION CONTINUED

Movement in deferred tax	2017 £m	2016 £m
Beginning of the year	1.2	2.7
Income Statement charge	(0.3)	(1.3)
Deferred tax on actuarial gain	–	(0.2)
End of year	0.9	1.2

Tax assets amounting to £11.7m (2016: £11.8m) 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	2017 £m	2016 £m
Accelerated capital allowances	3.2	3.6
Short term timing differences	1.1	1.0
Pensions	2.9	2.4
Tax losses	4.5	4.8
Total	11.7	11.8

10. 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 157,873,262 (2016: 157,296,423). Diluted earnings per share has been calculated including share options in existence at 31 March 2017.

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.

	2017	2016
Profit attributable to equity holders of the Company (£m)	17.6	6.1
Weighted average number of ordinary shares in issue (m)	151.1	148.3
Basic earnings per share (p)	11.6	4.1
Weighted average number of shares in issue, including potentially dilutive shares (m)	157.9	157.3
Diluted earnings per share (p)	11.1	3.9
Adjusted earnings per share (p)	14.8	10.6

11. DIVIDEND PER SHARE

A final dividend of 2.0p per share is proposed for the year ended 31 March 2017 (2016: 1.75p). The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements.

12. ACQUISITION OF SUBSIDIARY

On 23 May 2016 the Group acquired 100% of the share capital of EuroMed Inc, obtaining control. EuroMed is a hydrocolloid-based wound care solutions provider. The company is based in New York State.

The Directors believe that the acquisition of EuroMed brings multiple advantages to Scapa, including:

- proprietary and patented technology to broaden and strengthen Scapa Healthcare's Turn-Key value proposition
- innovative R&D capabilities complementing Scapa Healthcare's existing resources
- expanded opportunities for growth in new markets and with new customers
- significant cross-selling opportunities across the customer base
- improved manufacturing infrastructure
- acceleration in Scapa Healthcare'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:

	Fair Value £m
Net assets acquired	
Separately identifiable intangible assets	6.5
Property, plant and machinery	1.9
Other assets	0.1
Inventory	2.1
Debtors, cash and equivalents	3.2
Trade and other payables	(2.3)
	11.5
Goodwill	16.8
Total consideration	**28.3**
Satisfied by cash	28.3
Net cash outflow arising on acquisition:	
Cash consideration	28.3
Less: cash and cash equivalent balance acquired	(0.6)
	27.7

In addition to the above, the former owners of the business had the opportunity to earn an additional US$7.0m (GBP £5.6m) consideration based on the future performance of EuroMed. None of the consideration has been recognised as the targets for payment were not met.

The goodwill of £16.8m arising from the acquisition is expected to be deductible for income tax purposes in the US. Acquisition-related costs (included within exceptionals) amount to £0.6m.

EuroMed Inc contributed £10.3m of revenue and £1.1m to Group profit between the date of acquisition and 31 March 2017. If the acquisition of EuroMed Inc had been completed on the first day of the financial year, Group revenues for the period would have been £281.2m and Group trading profit would have been £29.4m.

13. GOODWILL

	2017 £m	2016 £m
Cost		
1 April	**57.7**	56.3
Additions	**16.8**	–
Exchange differences	**8.4**	1.4
31 March	**82.9**	57.7
Accumulated amortisation and impairment		
1 April	**(23.0)**	(22.4)
Exchange differences	**(3.5)**	(0.6)
31 March	**(26.5)**	(23.0)
Net book value at 31 March	**56.4**	34.7

Goodwill relates to the Acutek Medical operation £15.4m (2016: £13.4m), Webtec £16.8m (2016: £14.6m), First Water Limited £6.7m (2016: £6.7m) and EuroMed £17.5m (2016: £Nil).

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2017. 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% (2016: 10.0%) and adjusted for specific risk factors that take into account the sensitivities of the projection. 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.

NOTES ON THE ACCOUNTS CONTINUED

14. 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 2015	1.2	5.1	2.4	0.9	9.6
Exchange differences	–	–	0.1	–	0.1
Additions	0.2	–	–	–	0.2
31 March 2016 and 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	**4.7**	**8.9**	**2.9**	**1.3**	**17.8**
Amortisation					
1 April 2015	–	(2.5)	(1.2)	(0.3)	(4.0)
Exchange differences	–	(0.1)	(0.1)	–	(0.2)
Charge for the year	(0.3)	(1.2)	(0.6)	(0.2)	(2.3)
31 March 2016 and 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	**(1.3)**	**(6.2)**	**(2.8)**	**(0.9)**	**(11.2)**
Carrying amount					
31 March 2017	**3.4**	**2.7**	**0.1**	**0.4**	**6.6**
31 March 2016	1.1	1.3	0.6	0.4	3.4
Remaining useful economic life (years)	2-3	1-2	0-1	2-4	

The brought forward intangible assets relate to the acquisition of 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.

15. 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 2015	18.4	7.9	92.3	5.1	18.0	4.7	146.4
Exchange differences	0.9	–	2.5	0.1	0.1	0.1	3.7
Additions	3.7	0.1	2.4	0.2	0.2	3.1	9.7
Disposals	(1.3)	–	(5.7)	(1.4)	–	–	(8.4)
Transfers	–	–	5.6	0.2	0.3	(6.1)	–
31 March 2016 and 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	**14.8**	**8.7**	**114.2**	**5.0**	**19.8**	**1.6**	**164.1**
Accumulated depreciation							
1 April 2015	(9.5)	(4.3)	(69.1)	(4.4)	(17.1)	–	(104.4)
Exchange differences	(0.3)	–	(1.9)	(0.1)	(0.1)	–	(2.4)
Depreciation	(0.7)	(0.2)	(3.7)	(0.2)	(0.4)	–	(5.2)
Impairment	–	–	(1.5)	(0.1)	–	–	(1.6)
Disposals	1.3	–	5.6	1.4	–	–	8.3
31 March 2016 and 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	**(5.6)**	**(4.7)**	**(82.0)**	**(3.8)**	**(18.7)**	**–**	**(114.8)**
Carrying amount							
31 March 2017	**9.2**	**4.0**	**32.2**	**1.2**	**1.1**	**1.6**	**49.3**
31 March 2016	12.5	3.5	26.5	0.8	1.0	1.8	46.1

The Group has not revalued any item of property, plant and equipment. Impairment of property, plant and equipment of £0.4m (2016: £1.6m) relates to the closure of the Rorschach site in Switzerland. The Group has also transferred £5.1m into assets held for sale following the closure of the Switzerland site this year. These assets include land and buildings and we expect the sale of these assets to proceed in the coming year. Land of £1.1m is not depreciated.

15. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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

	2017 £m	2016 £m
Cost	0.6	0.6
Accumulated depreciation	(0.4)	(0.3)
Net book amount	0.2	0.3

During the year ending March 2017 there were no events or changes in circumstance that would indicate the carrying value of property, plant and equipment may not be recoverable.

16. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale	2017 £m	2016 £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 have been transferred in the period from property, plant and equipment (note 15). Land of £0.5m is not depreciated.

17. INVENTORY

	2017 £m	2016 £m
Raw materials	11.6	10.1
Work in progress	7.7	7.4
Finished goods	11.4	9.6
	30.7	27.1

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £134.7m (2016: £121.5m).

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

18. TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Amounts due within one year:		
Trade receivables	54.7	45.6
Less: provisions for impairment	(2.8)	(2.3)
Trade receivables – net	51.9	43.3
Other debtors	1.9	1.7
Prepayments and accrued income	3.4	2.9
Total amounts due within one year	57.2	47.9

18. TRADE AND OTHER RECEIVABLES CONTINUED

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

	2017 £m	2016 £m
Pounds Sterling	6.2	5.2
US Dollars	25.7	20.5
Euros	19.1	17.7
Other	6.2	4.5
	57.2	47.9

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

	2017 £m	2016 £m
Less than 1 month	–	0.4

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 stopped credit insuring its debts during the prior year.

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

	2017 £m	2016 £m
Opening provision at 1 April 2016	2.3	1.3
Exchange differences	0.2	–
Charge for the year	0.5	1.1
Receivables written off in the year	(0.2)	(0.1)
Closing provision at 31 March 2017	2.8	2.3

Included in the impairment provision are individually impaired trade receivables with a gross balance of £2.8m (2016: £2.3m). 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:

	2017 £m	2016 £m
Greater than 3 months	2.8	2.3

19. CASH AND CASH EQUIVALENTS

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

	2017 £m	2016 £m
Cash and cash equivalents	12.1	18.7

20. TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Trade payables and trade accruals	**32.3**	30.0
Other taxes and social security	**6.4**	4.5
Other creditors	**13.3**	10.7
	52.0	45.2
Amounts due after more than one year:		
Other creditors	**0.1**	0.2

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

	2017 £m	2016 £m
Amounts due within one year:		
Pounds Sterling	**12.8**	10.4
US Dollars	**16.3**	13.3
Euros	**18.3**	17.6
Other	**4.6**	3.9
	52.0	45.2

	2017 £m	2016 £m
Amounts due after more than one year:		
US Dollars	**–**	0.1
Euros	**0.1**	0.1
	0.1	0.2

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days (2016: 78 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.

21. BORROWINGS

	2017 £m	2016 £m
Amounts due within one year:		
Finance leases	**0.1**	0.2
Other loans	**1.1**	0.8
	1.2	1.0
Amounts due after more than one year:		
Bank loan	**26.9**	20.2
Finance leases	**0.1**	0.1
	27.0	20.3
Total borrowings	**28.2**	21.3

21. BORROWINGS CONTINUED

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

- the initial committed value of the facility was £40m
- an accordion of £20m
- it is unsecured
- it is repayable in June 2018
- the interest payable on drawings under the loan is based on inter-bank interest plus a sliding scale margin determined by the Group's leverage; the margin is currently 1.5%
- 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 2.75, reducing to 2.5 over time

As part of the acquisition of EuroMed in May 2016, the Group drew down on the committed accordion facility of £20m therefore resulting in an overall committed facility of £60m, which is repayable in June 2018.

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 2017 – Bank loans and overdrafts	**2.4%**
31 March 2016 – Bank loans and overdrafts	2.1%

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

	2017 £m	2016 £m
Pounds Sterling	**4.0**	11.6
US Dollars	**24.2**	9.7
	28.2	21.3

The total borrowings figure is presented net of unamortised debt issue costs of £0.3m (2016: £0.3m).

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 2017 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2016: £Nil) (see note 22).

The Group has the following undrawn borrowing facilities:

	2017 £m	2016 £m
Bank loan (committed)	**32.9**	39.5
Overdrafts	**1.0**	1.0

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, liquidity risk and capital risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group finance department (in close co-operation with the business units) under policies approved by the Board of Directors.

– Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, arising from various currency exposures, primarily with respect to the US Dollar, the Canadian Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. As the Group has certain investments in foreign operations, these net assets are exposed to foreign currency translation risk.

To manage its foreign exchange risk the Group uses foreign currency bank balances, and makes occasional use of foreign currency forward contracts to avoid short-term fluctuations in currencies. In addition, purchases of large items of capital in foreign currency are covered by forward contracts at the point of authorisation.

– Interest rate risk

The Group is exposed to interest rate risk as it has borrowings at floating rates. Interest rate risk is evaluated periodically to consider interest rate views and defined risk appetite; to seek to ensure that reasonable economic strategies are applied, by either positioning the Balance Sheet or protecting interest expense through different interest rate cycles. Deposit risk is managed by spreading deposits across high credit rated institutions, and capping the maximum deposit with an institution at one time.

– Commodity price risk

The Group is exposed to commodity price risk as it buys a number of commodity products that are vital to its production process. The Group mitigates this risk by fixing pricing with its suppliers where possible. The contracts entered into continue to be held for the purpose of the receipt of the commodity in accordance with the Group's expected purchase or usage requirements. There is no intention to re-sell the commodities bought.

– Liquidity risk

The Group maintains a mixture of committed long-term and short-term facilities designed to ensure that the Group has sufficient cash funds available for operations and planned investment.

Liquidity tables

The following tables detail the Group's contractual maturity for financial instruments. The tables are drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Due within one year £m	One to two years £m	Two to five years £m
2017			
Trade payables and trade accruals	32.3	–	–
Other taxes and social security	6.4	–	–
Other creditors	13.3	0.1	–
Finance leases	0.1	0.1	–
Loans and overdrafts	1.1	26.9	–
	53.2	27.1	–

22. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

	Due within one year £m	One to two years £m	Two to five years £m
2016			
Trade payables and trade accruals	30.0	–	–
Other taxes and social security	4.5	–	–
Other creditors	10.7	0.2	–
Finance leases	0.1	0.1	–
Loans and overdrafts	0.9	–	20.2
	46.2	0.3	20.2

There are no items with a maturity greater than five years. The bank loans in the above tables are stated after any unamortised arrangement costs.

The following tables detail the Group's contractual maturity for financial assets. The tables are drawn up based on the undiscounted contracted maturities of those financial assets.

	Due within one year £m	One to two years £m	Two to five years £m
2017			
Receivables	**57.2**	**–**	**–**
Cash and cash equivalents	**12.1**	**–**	**–**
	69.3	**–**	**–**
2016			
Receivables	47.9	–	–
Cash and cash equivalents	18.7	–	–
	66.6	–	–

In accordance with IFRS 7 Improving Disclosures about Financial Instruments, the Group's financial instruments are considered to be classified as Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are spread across a number of financial institutions. The credit risk position for our major customers is detailed below. This shows a fairly predictable level of credit utilisation across the regions and years, and highlights that there is no concentration of credit risk with respect to trade receivables.

Europe

The top five customers by balance at 31 March 2017 had a total receivable of £3.9m, versus their cumulative credit limit of £4.4m. The top five customers at 31 March 2016 had a total receivable of £2.3m, versus their cumulative credit limit of £3.8m.

North America

The top five customers by balance at 31 March 2017 had a total receivable of £9.7m, versus their cumulative credit limit of £17.3m. The top five customers at 31 March 2016 had a total receivable of £10.9m, versus their cumulative credit limit of £19.2m.

Asia

The top five customers by balance at 31 March 2017 had a total receivable of £1.4m, versus their cumulative credit limit of £1.8m. The top five customers at 31 March 2016 had a total receivable of £1.3m, versus their cumulative credit limit of £1.4m.

23. CAPITAL RISK

The Group defines the capital that it manages as the Group's total equity. The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group must ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payments as they fall due. In order to ensure that sufficient capital is available, the Group may adjust the amount of new shares issued, return capital to shareholders, alter its dividend policy or dispose of assets to reduce net debt.

The Group monitors capital using the following main indicators:

Gearing ratio	2017	2016
Total equity (£m)	100.3	77.7
Total assets (£m)	227.0	186.1
Equity % ratio	44%	42%

Net debt to EBITDA ratio	2017	2016
Net debt (£m)	(16.1)	(2.6)
EBITDA (£m)	35.4	26.5
Net debt to EBITDA ratio	0.45	0.10

Net debt to EBITDA comprises net debt divided by trading profit before depreciation.

EBITDA interest cover	2017	2016
EBITDA (£m)	35.4	26.5
Net interest payable (£m)	(1.2)	(0.7)
Interest cover – times	30	38

EBITDA interest cover comprises trading profit before depreciation, divided by net interest payable on bank overdrafts and loans, other loans and bank deposits.

The Group's principal loan covenants are: EBITDA interest cover (EBITDA being at least 4 times the net interest payable); and net debt to EBITDA ratio (net debt being less than 2.75 times adjusted EBITDA, reducing over time to 2.5).

24. PROVISIONS

	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**

24. PROVISIONS CONTINUED

	Reorganisation and leasehold commitments	Environmental £m	Total £m
At 1 April 2015	1.7	0.7	2.4
Exchange differences	0.2	–	0.2
Additions in the year	4.9	0.1	5.0
Release in the year	–	(0.3)	(0.3)
Utilised in the year	(1.8)	(0.1)	(1.9)
At 31 March 2016	**5.0**	**0.4**	**5.4**
Analysis of provisions:			
Current	3.5	0.4	3.9
Non-current	1.5	–	1.5
At 31 March 2016	**5.0**	**0.4**	**5.4**

– Reorganisation and leasehold commitments

The £3.3m (2016: £5.0m) reorganisation provision relates to dilapidations for leasehold property of £2.5m (2016: £1.8m) and £0.1m (2016: £0.3m) in relation to reorganisation costs. There is also a £0.7m provision relating to the closure of the Rorschach site which is expected to be fully utilised during the coming year.

– Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination of a number of sites in Europe of £0.4m (2016: £0.4m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next four years.

25. RETIREMENT BENEFIT OBLIGATIONS

– Defined contribution schemes

The Group operates a number of defined contribution schemes. Employer's contributions are charged to the Income Statement as incurred. The total pension cost for the Group in respect of these schemes for the year ended 31 March 2017 was £2.0m (2016: £1.9m). The assets of these schemes are held in independently administered funds.

– Defined benefit schemes

The total amounts recognised in the Group financial statements for defined benefit schemes are summarised on pages 107 to 113.

(a) UK schemes

By far the largest defined benefit scheme in the Group is the Scapa Group plc Pension Scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employer, Scapa Group plc. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional trustee.

The IAS 19 Retirement Benefits valuations have been updated from the prior year using formal valuation calculations carried out as at 1 April 2014, in order to assess the liabilities of the schemes at 31 March 2017. Scheme assets are stated at their market value at 31 March 2017.

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

– Funding arrangement

On 11 March 2013 Scapa Group plc agreed an asset-backed funding arrangement with the Trustees of the UK Pension Funds to help address the UK pension funding deficit. The asset backed funding structure provided £3.75m cash per annum to the UK Pension Funds. The present value of this funding stream is recognised as an investment of the UK Pension Funds and removes the funding deficit on actuarial valuation.

The contributions under the asset backed structure are as follows:

- the arrangement provides a cash flow of £3.75m per year subject to RPI indexation
- the Company pays £0.35m per year subject to RPI indexation, towards the administration costs of the scheme
- the Company pays non-administration costs as agreed on a project by project basis with the trustee

Total cash payments in the year, including both deficit repair and expenses, were £4.4m (2016: £4.4m). As at 31 March 2017 no amounts were outstanding (2016: same).

(b) Overseas schemes

The Group operates a number of pension schemes in different countries. There are several small defined benefit schemes and a number of defined contribution schemes. In addition, in certain countries, the Group must provide for various employee termination benefits. These are accounted for as if they were defined benefit pension schemes. The total defined benefit pension charge to operating profit for the Group in respect of overseas pension schemes for the year ended 31 March 2017 was £0.4m (2016: £0.4m), excluding settlement gains. The forecast future contributions into these schemes are expected to be similar to the current year contributions, but are subject to the number and nature of leavers in any period.

Details of the Group's material overseas defined benefit schemes are as follows:

– North America

The Group operates three pension plans in North America, a funded defined benefit scheme and two unfunded pension plans. The defined benefit scheme was closed during the prior year and all three schemes are therefore now closed to new members and future accrual. The disclosures are based on the most recent actuarial valuations of liabilities and asset market values at 31 March 2017. During the year a lump sum initiative was made available to certain deferred members. These members were able to elect to withdraw the value of their pension funds from the scheme and place into private control. The value of the liabilities extinguished during this exercise were higher than the carrying value of the assets transferred out of the scheme; the resulting gain has been treated as an exceptional settlement gain in the income statement.

– France

The Group operates an unfunded statutory retirement benefit scheme in France with liabilities of £4.2m (2016: £3.8m), with payments made to employees on retirement.

– Italy

There is an unfunded statutory termination indemnity plan in Italy, with payments made to employees on retirement or termination of service. The Italian scheme is closed to future accrual following changes in local legislation in 2013. It has liabilities of £0.6m (2016: £0.5m).

– Switzerland

The Group has an insured retirement fund in Switzerland that is accounted for under IAS 19, with assets in excess of liabilities for the 31 March 2017 valuation period. The scheme is subject to an asset ceiling therefore no asset is recognised for the surplus.

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19. Given the relative size of the schemes, the age profile and sensitivities are only provided for the UK.

	UK		North America		France		Italy		Switzerland	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	**2.45%**	3.45%	**4.14%**	4.30%	**1.75%**	1.75%	**0.40%**	0.70%	**0.50%**	2.60%
Salary rises	**–**	–	**–**	–	**2.00%**	2.00%	**–**	–	**1.00%**	1.85%
Price inflation (RPI)	**3.10%**	2.85%	**3.00%**	2.50%	**2.00%**	2.00%	**2.00%**	2.00%	**1.00%**	1.40%
Price inflation (CPI)	**2.10%**	1.85%	**–**	–	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 5%	**2.97%**	2.78%	**–**	–	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 3%	**2.33%**	2.22%	**–**	–	**–**	–	**–**	–	**–**	–
Amount of pension commuted for cash	**25.00%**	25.00%	**–**	–	**–**	–	**–**	–	**–**	–

The salary increase assumption is no longer relevant in the UK and US as the schemes are closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK schemes are set out in the table below; the expected return on investment for the overseas schemes is not a key judgement given the small asset values.

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2017, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2013 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the schemes membership. The results of this exercise showed that a best estimate adjustment to the base table used on the 1 April 2014 actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2017 disclosures.

Actuarial assumption sensitivities

The calculation of the schemes' deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. Note that sensitivities are not provided for the overseas schemes because the materiality of the results is not significant.

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

	UK 2017 £m
Rate of inflation	
Change in the year end liabilities from a 0.1% increase in the assumed rate of inflation	(1.1)
Change in the year end liabilities from a 0.1% decrease in the assumed rate of inflation	1.1
Discount rate	
Change in the year end liabilities from a 0.1% increase in the assumed rate of discount	(2.3)
Change in the year end liabilities from a 0.1% decrease in the assumed rate of discount	2.6
Mortality	
Life expectancy of members increases by 1 year	7.7
Life expectancy of members decreases by 1 year	(7.7)
Current pensioners (years):	
Male life expectancy at age 65	86.4
Female life expectancy at age 65	88.4
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	88.3
Female life expectancy at age 65 (currently aged 45)	90.3

The amounts recognised in the Balance Sheet are determined as follows:

UK schemes	2017 Value £m	2016 Value £m
UK equities	–	2.4
Overseas equities	30.3	35.0
Corporate bonds	50.8	40.1
Fixed interest government bonds	31.8	22.4
Index-linked government bonds	13.2	6.5
Property	4.1	3.9
Hedge funds	11.0	12.4
Cash and cash equivalents	2.2	3.3
Total market value of assets	143.4	126.0
Present value of scheme liabilities	(167.2)	(146.1)
Net deficit in the schemes	(23.8)	(20.1)

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

French scheme	2017 Value £m	2016 Value £m
Present value of scheme liabilities	(4.2)	(3.8)
Net deficit in the schemes	(4.2)	(3.8)

Italian scheme	2017 Value £m	2016 Value £m
Present value of scheme liabilities	(0.6)	(0.5)
Net deficit in the scheme	(0.6)	(0.5)

Swiss scheme	2017 Value £m	2016 Value £m
Total market value of assets	11.5	11.5
Present value of scheme liabilities	(11.5)	(11.5)
Net deficit in the scheme	–	–

Expected return on plan assets is 1.25% (2016: 2.66%).

North American schemes	2017 Value £m	2016 Value £m
Equities	3.0	0.9
Bonds	5.3	4.4
Other	1.0	2.4
Total market value of assets	9.3	7.7
Present value of scheme liabilities	(12.1)	(10.8)
Net deficit in the schemes	(2.8)	(3.1)

The amounts recognised in the Income Statement are as follows:

	2017 £m	2016 £m
Current service cost	(0.4)	(0.4)
Settlement	0.3	1.6
Total included within staff costs	(0.1)	1.2
Expected return on scheme assets less interest on scheme liabilities	(0.8)	(1.2)
Total included within finance costs	(0.8)	(1.2)
Total expenses charged through the Income Statement	(0.9)	–

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2017 £m	2016 £m
Actual return less expected return on scheme assets	17.6	(2.9)
Experience gains arising on scheme liabilities	0.1	3.6
Changes in assumptions underlying the present value of the scheme liabilities:		
– Demographic assumptions	–	4.8
– Financial assumptions	(24.6)	2.4
Total amounts recognised in the Statement of Comprehensive Income	(6.9)	7.9

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2017 £m	2016 £m
Beginning of the year	145.2	162.2
Exchange differences	1.4	0.4
Expected return on scheme assets	4.6	4.8
Actual return less expected return on scheme assets	17.6	(2.9)
Contributions paid	4.6	4.7
Settlement	–	(14.7)
Benefits paid	(9.2)	(9.3)
End of the year	164.2	145.2

Analysis of movement in scheme liabilities

	2017 £m	2016 £m
Beginning of the year	(172.7)	(202.0)
Exchange differences	(2.1)	(0.7)
Current service cost (included within staff costs)	(0.4)	(0.4)
Settlement (included within staff costs)	0.3	16.3
Interest on scheme liabilities	(5.4)	(6.0)
Experience gains	0.1	3.6
Changes in assumptions	(24.6)	7.2
Benefits paid	9.2	9.3
End of the year	(195.6)	(172.7)

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Analysis of movement in Balance Sheet liability

	2017 £m	2016 £m
Beginning of the year	**(27.5)**	(39.8)
Exchange differences	**(0.7)**	(0.3)
Income Statement expense	**(0.9)**	–
Statement of Comprehensive Income items	**17.7**	0.7
Changes in assumptions	**(24.6)**	7.2
Contributions paid	**4.6**	4.7
Net deficit in the schemes	**(31.4)**	(27.5)

Cumulative actuarial losses on pension schemes recognised in reserves total £37.4m (2016: £30.5m).

	2017 IAS 19 (revised) £m	2016 IAS 19 (revised) £m	2015 IAS 19 (revised) £m	2014 IAS 19 (revised) £m	2013 IAS 19 (revised) £m
Present value of defined benefit obligations	**(195.6)**	(172.7)	(202.0)	(182.7)	(184.9)
Fair value of plan assets	**164.2**	145.2	162.2	142.7	143.7
Deficit in the plan	**(31.4)**	(27.5)	(39.8)	(40.0)	(41.2)
Experience adjustments on plan liabilities	**(24.5)**	10.8	(20.8)	(1.4)	(24.0)
	(12.5%)	6.3%	(10.3%)	(0.8%)	(13.0%)
Experience adjustments on plan assets	**17.6**	4.4	18.6	(0.8)	10.5
	10.7%	3.0%	11.5%	(0.6%)	7.3%

26. SHARE CAPITAL

	2017 £m	2016 £m
Allotted, issued and fully paid		
152,350,819 (2016: 150,033,428) shares of 5p each	**7.6**	7.5

The movement in share capital relates to the exercise of share options (note 27). The Company has one class of ordinary shares which carry no rights to fixed income.

27. SHARE OPTIONS

Potential issues of ordinary shares

Certain senior managers and other staff hold options to subscribe for shares in the Company at prices ranging from nil pence per share to 159.0 pence per share under share option schemes approved by shareholders. The number of shares subject to options, the periods in which they were granted, and the periods in which they may be exercised are given below:

Scheme	Year of grant	Average exercise price per share	Exercise period	Number of options 2017	Number of options 2016
Performance share plan	2009	nil pence per share	up to 6 September 2019	–	400,000
Performance share plan	2012	nil pence per share	up to 3 September 2022	**85,158**	180,171
Performance share plan	2013	nil pence per share	up to 23 July 2023	**15,500**	1,780,000
Performance share plan	2014	nil pence per share	up to 22 July 2024	**1,227,820**	1,511,457
Performance share plan	2015	nil pence per share	up to 22 July 2025	**697,819**	1,018,283
Performance share plan	2016	nil pence per share	up to 8 July 2026	**650,441**	–
Sharesave option plan 5-year	2012	42.60p	up to 1 September 2017	–	45,773
Sharesave option plan 3-year	2015	159.00p	up to 1 March 2019	**435,561**	501,556
				3,112,299	5,437,240

During the year the following options were exercised; 400,000 options under the 2009 Performance share plan; 95,013 options under the 2012 Performance share plan; 1,764,500 options under the 2013 Performance share plan; 45,773 options under the 2012 5-year Sharesave option plan; and 12,105 options under the 2015 3-year Sharesave option plan.

All other movements from 2016 are expired or lapsed options and new grants. As at 31 March 2017, 435,561 options were exercisable under the 2015 3-year Sharesave option plan, 85,158 options were exercisable under the 2012 Performance share plan and 15,500 options were exercisable under the 2013 Performance share plan.

The Group operates several share option schemes. Options are exercisable at a price equal to the average quoted market price of the Group's shares on the date of grant. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity settled share options are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed over the vesting period, based upon the Group's estimate of shares that will eventually vest.

There are no cash-settled share options.

Fair value is measured by use of a Black Scholes model according to the relevant measures of performance. The models include adjustments, based upon management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived from models based upon these assumptions and other assumptions identified below.

The Group recognised total expenses of £1.9m (2016: £1.8m) related to equity-settled share-based payments. This expense includes the charge for new options granted during the year net of release of charge for the options for which it has been concluded that vesting criteria will not be met.

Long-Term Incentive Plan

The Company has a long-term incentive plan that operates based on the 2004 and 2011 Performance Share Plans.

Options granted in 2009/10 and 2010/11 relate to the incentive plan known as the Scapa Group plc 2004 Performance Share Plan which was approved by shareholders at the Annual General Meeting on 22 July 2004. Awards under the plan take the form of either an annual allocation of ordinary shares or a grant of nil cost options over shares with a market value at the time of grant equivalent to a maximum of 100% of basic salary at that time with vesting taking place at the expiry of the three-year performance period of the plan, subject to attainment of the performance targets.

27. SHARE OPTIONS CONTINUED

Awards in the form of an allocation of ordinary shares lapse at the end of the three-year performance period to the extent that the performance conditions have not been met. Awards in the form of a nil cost option remain exercisable until their tenth anniversary of the date of grant, subject to achievement of the performance conditions, after which they lapse.

Options granted in 2011/12, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17 relate to the 2011 incentive plan known as the Scapa Group plc 2011 Performance Share Plan, details of which can be found in the Directors' Remuneration Report contained in these accounts.

Sharesave

The Scapa Group 2011 Sharesave Scheme is an Inland Revenue approved Save-As-You-Earn (SAYE) share option scheme pursuant to which eligible employees (including Executive Directors) in the United Kingdom who have worked a minimum six-month qualifying period and agree to save a fixed amount for three or five years under an approved savings contract are granted options to subscribe for shares in the Company at a discounted exercise price. The maximum amount that can be saved by a participant is £250 per month. In normal circumstances options are exercisable for six months following the completion of a savings contract using the proceeds from that contract. The exercise price is based on the market value of the shares as of the date of grant, less a discount of 20%.

The following tables show the inputs to the model used to calculate the fair value of equity-settled share options granted during the years ended 31 March 2017 and 31 March 2016 respectively:

Year ended 31 March 2017	Performance share plan awarded 8 Jul 2016
Weighted average share price (p)	**2.56**
Weighted average exercise price (p)	**Nil**
Weighted average fair value of options granted (p)	**2.56**
Expected volatility (%)	**n/a**
Expected life (months)	**36**
Risk free rate (%)	**n/a**

Year ended 31 March 2016	Performance share plan awarded 22 Jul 2015
Weighted average share price (p)	1.96
Weighted average exercise price (p)	Nil
Weighted average fair value of options granted (p)	1.96
Expected volatility (%)	n/a
Expected life (months)	36
Risk free rate (%)	n/a

The expected volatility is based upon the historical volatility of the Group's share price over the expected life of the option.

27. SHARE OPTIONS CONTINUED

The movement in total outstanding options is provided below:

	SAYE plan		Performance share plan	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 April 2015	102,390	42.6p	6,772,274	Nil
Granted during the year	562,456	159.0p	1,018,283	Nil
Exercised during the year	(56,617)	42.6p	(2,737,010)	199.4p
Forfeited and lapsed during the year	(60,900)	159.0p	(163,636)	Nil
Outstanding at 31 March 2016	547,329	149.3p	4,889,911	Nil
Granted during the year	–	–	765,405	Nil
Exercised during the year	(57,878)	66.9p	(2,259,513)	286.9p
Forfeited and lapsed during the year	(53,890)	159.0p	(719,065)	Nil
Outstanding at 31 March 2017	**435,561**	**159.0p**	**2,676,738**	**Nil**
Weighted average contractual remaining life:				
31 March 2017	**1.4 years**			**8.0 years**
31 March 2016	2.3 years			7.7 years

The weighted average share price at the date of exercise for share options exercised during the year was 288.6p.

Scapa Group 2015 Value Creation Plan

The Company set up the Value Creation Plan (VCP) in 2015/16 to reward participants for creating value through growth in the Company's share price. If defined share price targets are met on defined dates, the growth in excess of £1.95 (up to a maximum of £5.00) will be shared by the Plan's participants. The total amount awarded to participants in the Plan has been set as 5% of the number of shares in issue. The earliest opportunity to exercise rights under the VCP is April 2020. The first measurement date is 31 March 2018 where the share price target is £3.00. The second measurement date is 31 March 2020 where the share price target is £4.00. Any rights obtained in March 2018 must be held for 24 months before exercise. Any right obtained in March 2020 must be held for 12 months before exercise.

The VCP will be equity settled and a charge has been calculated under IFRS 2 and applied in the current year. In determining the likelihood of the VCP vesting, the Company used a simulation model to predict the various outcomes of share price at the target dates. The main assumptions used in the model were the expected volatility, expected dividends payable over the period, the risk free rate of return and the granting and vesting of other LTIP awards which are deducted from any VCP payment. These assumptions were all based on historic data as the best estimate of future outcome.

28. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW, AND RECONCILIATION OF NET CASH

All on continuing operations	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Operating profit	**23.8**	11.7
Adjustments for:		
Depreciation and amortisation	**9.9**	7.5
Exceptional pension settlement	**(0.3)**	(1.6)
Impairment of tangible fixed assets	**0.4**	1.6
Pensions payments in excess of charge	**(4.3)**	(4.4)
Share options charge	**1.9**	1.8
Grant income released	**–**	(0.1)
Changes in working capital:		
Inventories	**1.3**	(1.7)
Trade debtors	**(1.6)**	0.9
Trade creditors	**(1.4)**	(0.4)
Changes in trading working capital	**(1.7)**	(1.2)
Other debtors	**(0.7)**	(1.1)
Other creditors	**2.1**	(0.4)
Deferred consideration	**(0.1)**	(0.1)
Net movement in environmental provisions	**–**	(0.3)
Net movement in reorganisation provisions and leasehold commitments	**(0.2)**	0.2
Net movement in other provisions	**(1.7)**	2.9
Cash generated from operations	**29.1**	16.5
Cash generated from operations before exceptional items	**32.7**	19.0
Cash outflows from exceptional items	**(3.6)**	(2.5)
Cash generated from operations	**29.1**	16.5

Analysis of cash and cash equivalents and borrowings

	At 1 April 2016 £m	Cash flow £m	Exchange movement £m	At 31 March 2017 £m
Cash and cash equivalents	18.7	(7.7)	1.1	**12.1**
Borrowings within one year	(1.0)	–	(0.2)	**(1.2)**
Borrowings after more than one year	(20.3)	(5.9)	(0.8)	**(27.0)**
Total borrowings	(21.3)	(5.9)	(1.0)	**(28.2)**
Total	(2.6)	(13.6)	0.1	**(16.1)**

29. COMMITMENTS

Capital commitments

The amount contracted but not provided for in the accounts at 31 March 2017 was £1.3m (2016: £1.8m).

At 31 March 2017 a total of £0.3m (2016: £1.4m) was authorised but not yet contracted.

Operating lease commitments

At 31 March 2017 the Group has lease agreements in respect of various assets for which present value of future minimum lease payments extend as follows:

Commitments under leases:	2017 Property £m	2017 Vehicles, plant and equipment £m	2016 Property £m	2016 Vehicles, plant and equipment £m
Within one year	2.7	0.7	2.0	0.7
More than one year and less than five years	5.3	0.6	4.5	0.7
After five years	2.4	–	–	–
Total operating lease commitments	10.4	1.3	6.5	1.4

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017 £m	2016 £m	2017 £m	2016 £m
Within one year	0.1	0.2	0.1	0.2
In the second to fifth years inclusive	0.1	0.1	0.1	0.1
Present value of lease obligations	0.2	0.3	0.2	0.3

The present value of minimum lease payments is denominated in the following currencies:

	Minimum lease payments	
	2017 £m	2016 £m
Pounds Sterling	0.1	0.2
US Dollar	0.1	0.1
	0.2	0.3

It is Group policy to lease certain fixtures and equipment under finance leases. The Group has lease agreements in the US with lease periods to 2018 and average borrowing rates of 6.5% (2016: 6.6%). Interest rates are fixed at contract date. All leases are on fixed repayment terms and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the related assets.

31. POST BALANCE SHEET EVENT

On 23 May 2017 the Group announced its intention to exit production in Korea and transfer the technology and plant and machinery to other existing sites within the Group. At the Balance Sheet date it is not possible to estimate the financial impact of the exit given the range of options under consideration. The announcement does not represent a situation that existed at the Balance Sheet date and accordingly no adjustments have been made.

FIVE YEAR SUMMARIES

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

	2017 £m	2016 £m	2015 £m	2014 (restated) £m	2013 £m
Group revenue	279.6	246.7	236.0	226.1	208.8
Group profits/(losses)					
Profit before taxation and exceptional items	**22.8**	16.4	14.2	11.0	8.5
Exceptional items ((charges)/income)	**(1.0)**	(6.6)	(0.5)	0.2	1.1
Profit before taxation	**21.8**	9.8	13.7	11.2	9.6
Taxation	**(4.2)**	(3.7)	(4.2)	(17.9)	(8.4)
Profit/(loss) after taxation	**17.6**	6.1	9.5	(6.7)	1.2
Headline earnings/(loss) per share (p)	**11.6**	4.1	6.5	(4.6)	0.8
Net cash equivalents	**(16.1)**	(2.6)	(2.2)	5.4	2.2
Shareholders' funds – equity	**100.4**	77.7	61.8	47.7	65.6
Net assets per share (p)	**66.4**	52.4	42.1	32.6	44.9

The cumulative restatement arising from the adoption during the year of IAS 19 (revised) is reflected in 2013 in the table. The year 2012 has not been restated.

EXCHANGE RATES (UNAUDITED)

	2017	2016	2015	2014	2013
US $					
Closing	**1.25**	1.44	1.48	1.67	1.52
Average	**1.32**	1.50	1.61	1.59	1.58
Canadian $					
Closing	**1.66**	1.87	1.88	1.84	1.54
Average	**1.72**	1.97	1.84	1.68	1.59
Euro					
Closing	**1.16**	1.27	1.37	1.21	1.18
Average	**1.20**	1.36	1.28	1.19	1.22

SCAPA GROUP PLC PARENT COMPANY FINANCIAL STATEMENTS

The separate financial statements of Scapa Group plc are presented on pages 125 to 137.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. They are therefore presented separately to the Group consolidated financial statements which have been prepared under International Financial Reporting Standards.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2017

	note	31 March 2017 £m	31 March 2016 £m
Non-current assets			
Tangible fixed assets	5	**0.6**	0.7
Investments in subsidiary undertakings	6	**136.1**	135.5
Deferred tax asset	4	**1.1**	0.9
Debtors: amounts due after more than one year	7	**182.8**	138.3
		320.6	275.4
Current assets			
Debtors: amounts due within one year	7	**9.0**	8.0
Cash and cash equivalents		**0.5**	6.8
		9.5	14.8
Current liabilities			
Creditors – amounts falling due within one year	9	**(4.9)**	(3.7)
Net current assets		**4.6**	11.1
Total assets less current liabilities		**325.2**	286.5
Creditors – amounts falling due after more than one year			
Creditors	9	**(120.5)**	(113.2)
Borrowings	8	**(27.1)**	(11.5)
		(147.6)	(124.7)
Provisions for liabilities and charges	10	**(0.6)**	(0.5)
Net assets excluding pension liability		**177.0**	161.3
Net pension liability	12	**(16.0)**	(13.4)
Net assets		**161.0**	147.9
Shareholders' funds			
Called-up share capital	11	**7.6**	7.5
Share premium		**0.4**	0.4
Other reserves		**10.1**	10.1
Profit and loss account		**142.9**	129.9
Shareholders' funds – equity		**161.0**	147.9

The notes on pages 129 to 137 form part of these financial statements.

The company reported a profit for the financial year ended 31 March 2017 of £5.4m (2016: £1.7m loss).

The financial statements of Scapa Group plc, registered number 826179, were approved by the Board of Directors and authorised for issue on 23 May 2017. They were signed on its behalf by:

H R Chae
Group Chief Executive

G S Hardcastle
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2015 (restated)	7.4	0.4	10.1	124.6	142.5
Loss for the year	–	–	–	(1.7)	(1.7)
Actuarial gain on pension schemes	–	–	–	7.5	7.5
Total comprehensive income	–	–	–	5.8	5.8
Issue of shares	0.1	–	–	–	0.1
Share options	–	–	–	1.8	1.8
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Dividends	–	–	–	(2.2)	(2.2)
Balance at 31 March 2016	7.5	0.4	10.1	129.9	147.9
Profit for the year	–	–	–	5.4	5.4
Actuarial loss on pension schemes	–	–	–	(2.4)	(2.4)
Total comprehensive income	–	–	–	3.0	3.0
Issue of shares	0.1	–	–	–	0.1
Share options	–	–	–	1.9	1.9
Equity-settled share based payments	–	–	–	(0.1)	(0.1)
Group dividends received	–	–	–	10.8	10.8
External dividends	–	–	–	(2.6)	(2.6)
Balance at 31 March 2017	**7.6**	**0.4**	**10.1**	**142.9**	**161.0**

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and in accordance with applicable law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year in dealing with items that are considered material in relation to the Company's financial statements. In accordance with Section 408 of the Companies Act 2006 a separate profit and loss account dealing with the results of the Company has not been presented.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

A summary of the Company's principal accounting policies is set out below. These have been applied consistently throughout the year and prior year.

GOING CONCERN

The Directors have at the time of approving the financial statements a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 68 and in the Viability Statement on page 19.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less cumulative depreciation and impairment. Depreciation is provided on the basis of writing off the cost of the relevant assets over their expected useful lives. The Company applies the straight-line method. The effect is to reduce the cost of plant, equipment, fixtures and computer systems to estimated residual value over a period of 5–20 years.

TAXATION

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Company's taxable profits and losses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

DIVIDENDS

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the Annual General Meeting. Interim dividends are recognised when they are paid.

PROVISIONS

Provisions are made in accordance with IAS 37 where an obligation exists for a future liability in respect of a past event and where the amount of obligation can be reliably estimated.

PENSION COSTS

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

For defined benefit schemes, the Company recognises plan assets where they are separable, solely for payment to the fund or to fund employee benefits, not available to the Company's creditors in bankruptcy and where the assets cannot be returned to the Company unless all employee benefit obligations are met.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained annually and are updated at each Balance Sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Balance Sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost, less provision for any impairment in value. Where circumstances indicate that there may have been impairment in the carrying value of a tangible or intangible fixed asset, an impairment review is carried out using cash flows from approved forecasts and projections discounted at the Group's weighted average cost of capital.

SHARE-BASED PAYMENTS

The Company has applied the requirements of IFRS 2 Share-based Payment.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled employee benefits reserve.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange at the Balance Sheet date. Exchange differences on borrowings (including differences arising due to currency swaps) taken out to hedge overseas equity investments and on long-term loans which are considered equivalent to equity are taken to the translation reserve. All other differences are taken to the profit and loss account.

CASH FLOW STATEMENT

The Company is a wholly owned subsidiary of Scapa Group plc and is included in the consolidated financial statements of Scapa Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

CONSOLIDATION

Consolidated accounts for the Company are prepared under International Accounting Standards and as a result these financial statements present information about the Company only.

RELATED PARTIES

The Directors' Annual Remuneration Report can be found in the Annual Report on pages 61 to 67. The pension scheme is a related party to the Company; there were no contributions outstanding at the year end. There are no other related party transactions in the current or prior year. The Company is exempt under the terms of FRS 101 paragraph 8(j) from disclosing related party transactions entered into between two or more members of a group provided that any subsidiary which is party to a transaction is wholly owned by a member.

NOTES ON THE ACCOUNTS

1. PROFIT AND LOSS ACCOUNT

The Company's profit in the year is £5.4m (2016: £1.7m loss). As permitted by section 408 of the Companies Act 2006 a separate profit and loss account has not been presented. Profit/(loss) on ordinary activities before taxation is stated after (charging)/crediting:

	2017 £m	2016 £m
Depreciation of tangible fixed assets, owned	**(0.2)**	(0.2)
Foreign exchange gains	**0.5**	0.1
Directors' and employee costs	**(7.8)**	(6.9)

2. FEES PAYABLE TO THE COMPANY'S AUDITOR

For the year ended 31 March 2017

	2017 £'000	2016 £'000
Auditor's remuneration		
– Audit of the Company	**99.0**	85.0
– Taxation advisory services	**2.0**	59.0
– Corporate finance services	**193.0**	142.0
	294.0	286.0

Total audit fees were £99,000 (2016: £85,000). Total non-audit fees payable to the auditor were £195,000 (2016: £201,000).

3. STAFF COSTS

	2017 £m	2016 £m
Wages and salaries	**4.5**	4.5
Social security costs	**1.8**	1.0
Share options granted to directors and employees	**1.3**	1.2
Pension costs – defined contribution plans	**0.2**	0.2
	7.8	6.9

	2017	2016
Average employee numbers	**32**	39

Details of the highest paid Director can be found on page 61.

4. TAXATION

Income tax credit

	2017 £m	2016 (restated) £m
Current tax:		
Tax on trading activities – current year	**0.9**	0.4
Tax on trading activities – prior year	**–**	0.1
Total current tax	**0.9**	0.5
Deferred tax:		
Tax on trading activities – current year	**0.2**	(0.1)
Total deferred tax	**0.2**	(0.1)
Tax credit for the year	**1.1**	0.4

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

	2017 £m	2016 £m
Profit/(loss) on ordinary activities before tax	**4.4**	(2.2)
Tax (charge)/credit at 20% (2016: 20%)	**(0.9)**	0.4
Movements to unprovided deferred tax	**1.4**	0.1
Changes in tax rate	**–**	(0.1)
Income not taxable and other deductions	**0.9**	–
Items not deductible for tax purposes and other taxable items	**(0.1)**	(0.1)
Adjustments in respect of prior years	**(0.2)**	0.1
Actual tax credit for the year	**1.1**	0.4

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

	2017 £m	2016 £m
Deferred tax assets:		
– Retirement benefit liabilities	**1.1**	0.9

Tax assets amounting to £6.6m (2016: £5.7m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in the UK.

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

Movement in deferred tax	2017 £m	2016 £m
Beginning of the year	**0.9**	1.0
Income Statement charge	**0.2**	(0.1)
End of year	**1.1**	0.9

4. TAXATION CONTINUED

Deferred tax items have not been recognised in respect of the following items	2017 £m	2016 £m
Accelerated capital allowances	**1.3**	1.5
Short term timing differences	**0.8**	(0.1)
Pensions	**1.9**	1.6
Tax losses	**2.6**	2.7
Total	**6.6**	5.7

5. TANGIBLE FIXED ASSETS

	Plant, equipment, fixtures and computer systems £m
Cost	
At 1 April 2016	12.9
Additions	0.1
At 31 March 2017	13.0
Depreciation	
At 1 April 2016	(12.2)
Depreciation	(0.2)
At 31 March 2017	(12.4)
Net book value at 31 March 2017	**0.6**
Net book value at 31 March 2016	0.7

6. INVESTMENTS

	Shares in Group undertakings £m
Cost	
At 1 April 2016	135.5
Capital contribution	0.6
Net book value at 31 March 2017	**136.1**
Net book value at 31 March 2016	135.5

No further investment impairment was required at 31 March 2017.

The recoverable amount has been determined on a value in use basis on each cash-generating unit using the management approved 12-month forecasts for each cash-generating unit. The base 12-month projection is inflated by 3.0% up to year 5, which management believes does not exceed the long-term average growth rate for the industry, and then 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% (2016: 10.0%) and adjusted for specific risk factors that take into account the sensitivities of the projection.

The Company's subsidiaries are shown in note 14.

7. DEBTORS

	2017 £m	2016 £m
Amounts due within one year:		
Amounts owed by subsidiary undertakings	7.5	6.8
Group relief receivable	1.0	0.6
Other debtors	0.2	–
Prepayments and accrued income	0.3	0.6
Total amounts due within one year	9.0	8.0
Amounts due after more than one year:		
Amounts owed by subsidiary undertakings	182.8	138.3

8. BANK LOANS AND OVERDRAFTS

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

- the initial committed value of the facility was £40m
- an accordion of £20m
- it is unsecured
- it is repayable in June 2018
- the interest payable on drawings under the loan is based on inter-bank interest plus a sliding scale margin determined by the Group's leverage; the margin is currently 1.5%
- 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 2.75, reducing to 2.5 over time

As part of the acquisition of EuroMed in May 2016, the Company along with other members of the Group drew down on the committed accordion facility of £20m therefore resulting in an overall committed facility of £60m, which is repayable in June 2018.

The borrowings of the Company under the facility at the Balance Sheet date were as follows:

	2017 £m	2016 £m
Bank loans	27.1	11.5

The effective interest rate at the Balance Sheet date was as follows:

	%
31 March 2017 Bank loans	**2.4%**
31 March 2016 Bank loans	2.1%

	2017 £m	2016 £m
Bank loan drawdown	27.1	11.5

The Company, along with other subsidiaries in the Group, has the following undrawn borrowing facilities, being the unused portion of the £60.0m committed facility:

	2017 £m	2016 £m
Floating rate	32.9	28.5

9. CREDITORS

	2017 £m	2016 £m
Amounts due within one year:		
Amounts owed to subsidiary undertakings	**0.4**	0.3
Other creditors, including taxation and social security	**4.5**	3.4
Total amounts due within one year	**4.9**	3.7
Amounts due after more than one year:		
Amounts owed to subsidiary undertakings	**120.5**	113.2

The terms of loans owed to subsidiary undertakings vary; expiry of these ranges from 2017–2020.

10. PROVISIONS

	2017 £m	2016 £m
At 1 April	**0.5**	–
Additions in the year	**0.3**	0.8
Utilised in the year	**(0.2)**	(0.3)
Released in the year	**–**	–
At 31 March	**0.6**	0.5

11. SHARE CAPITAL

	2017 £m	2016 £m
Allotted, issued and fully paid		
152,350,819 (2016: 150,033,428) shares of 5p each	**7.6**	7.5

The movement in share capital relates to share options (see note 26 of the Group accounts).

	Number of shares
March 2016	150,033,428
SAYE and performance share plan options exercised in the year	2,317,391
March 2017	**152,350,819**

Share options

Potential issues of ordinary shares and share options for the Company are disclosed in note 26 of the Group accounts.

12. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined contribution scheme

The Company operates a defined contribution scheme in the UK. Employer's contributions are charged to the profit and loss account as incurred. The total pension cost for the Company in respect of this scheme for the year ended 31 March 2017 was £0.2m (2016: £0.3m).

(b) Defined benefit schemes

The Company is a sponsoring employer to the Scapa Group plc Pension Scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employers, Scapa Group plc and Scapa UK Ltd. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional trustee.

12. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The IAS 19 Retirement Benefits valuations have been updated from the prior year using formal valuation calculations carried out as at 1 April 2014, in order to assess the liabilities of the schemes at 31 March 2017. Scheme assets are stated at their market value at 31 March 2017.

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19.

	2017	2016
Discount rate	**2.45%**	3.45%
Salary rises	**–**	–
Price inflation (RPI)	**3.10%**	2.85%
Price inflation (CPI)	**2.10%**	1.85%
Future pension increases – RPI max 5%	**2.97%**	2.78%
Future pension increases – RPI max 3%	**2.33%**	2.22%
Amount of pension commuted for cash	**25.00%**	25.00%

The salary increase assumption is no longer relevant in the UK as the scheme is closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK scheme is set out in the table below.

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2017, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2013 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2017 a postcode mortality exercise was conducted on the scheme's membership. The results of this exercise showed that a best estimate adjustment to the base table used on the 1 April 2014 actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2017 disclosures.

Actuarial assumption sensitivities

The calculation of the scheme's deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

	2017 £m
Rate of inflation	
Change in the year end liabilities from a 0.1% increase in the assumed rate of inflation	**(0.7)**
Change in the year end liabilities from a 0.1% decrease in the assumed rate of inflation	**0.7**
Discount rate	
Change in the year end liabilities from a 0.1% increase in the assumed rate of discount	**(1.5)**
Change in the year end liabilities from a 0.1% decrease in the assumed rate of discount	**1.7**
Mortality	
Life expectancy of members increases by 1 year	**5.1**
Life expectancy of members decreases by 1 year	**(5.1)**
Current pensioners (years):	
Male life expectancy at age 65	**86.4**
Female life expectancy at age 65	**88.4**
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	**88.3**
Female life expectancy at age 65 (currently aged 45)	**90.3**

12. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts recognised in the Balance Sheet are determined as follows:

UK schemes	2017 Value £m	2016 Value £m
UK equities	–	1.6
Overseas equities	**20.2**	23.4
Corporate bonds	**33.9**	26.7
Fixed interest government bonds	**21.2**	14.9
Index-linked government bonds	**8.8**	4.3
Property	**2.7**	2.6
Hedge funds	**7.3**	8.3
Cash and cash equivalents	**1.5**	2.2
Total market value of assets	**95.6**	84.0
Present value of scheme liabilities	**(111.6)**	(97.4)
Net deficit in the schemes	**(16.0)**	(13.4)

The amounts recognised in the Income Statement are as follows:

	2017 £m	2016 £m
Settlement	**0.2**	0.4
Total included within staff costs	**0.2**	0.4
Expected return on scheme assets less interest on scheme liabilities	**(0.4)**	(0.6)
Total included within finance costs	**(0.4)**	(0.6)
Total expenses charged through the Income Statement	**(0.2)**	(0.2)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2017 £m	2016 £m
Actual return less expected return on scheme assets	**14.0**	1.1
Experience gains arising on scheme liabilities	–	1.6
Changes in assumptions underlying the present value of the scheme liabilities:		
– Demographic assumptions	–	3.2
– Financial assumptions	**(16.4)**	1.6
Total amounts recognised in the Statement of Comprehensive Income	**(2.4)**	7.5

12. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2017 £m	2016 £m
Beginning of the year	84.0	92.0
Expected return on scheme assets	2.9	2.9
Actual return less expected return on scheme assets	14.0	1.1
Settlement	–	(6.8)
Benefits paid	(5.3)	(5.2)
End of the year	95.6	84.0

Analysis of movement in scheme liabilities

	2017 £m	2016 £m
Beginning of the year	(97.4)	(112.7)
Settlement (included within staff costs)	0.2	7.2
Interest on scheme liabilities	(3.3)	(3.5)
Experience gains	–	1.6
Changes in assumptions	(16.4)	4.8
Benefits paid	5.3	5.2
End of the year	(111.6)	(97.4)

Analysis of movement in Balance Sheet liability

	2017 £m	2016 £m
Beginning of the year	(13.4)	(20.7)
Total remeasurements	(2.4)	7.5
Expenses in the profit and loss account	(0.2)	(0.2)
Net deficit in the schemes	(16.0)	(13.4)

	2017 FRS101 (revised) £m	2016 FRS101 (revised) £m	2015 £m	2014 £m	2013 £m
Present value of defined benefit obligations	(111.6)	(97.4)	(112.7)	(103.9)	(80.2)
Fair value of plan assets	95.6	84.0	92.0	103.9	80.2
Deficit in the plan	(16.0)	(13.4)	(20.7)	–	–
Experience adjustments on plan liabilities	(16.4)	6.4	(10.9)	0.4	(9.8)
Experience adjustments on plan assets	14.0	1.1	14.8	0.1	2.4

13. DIVIDEND PER SHARE

A final dividend of 2.0p per share is proposed for the year ended 31 March 2017 (2016: 1.75p). The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements.

14. SUBSIDIARY UNDERTAKINGS

As at 31 March 2017 the principal subsidiaries of the Company were:

Holding and management companies	Registered office and country of incorporation	
Scapa Group Holdings GmbH	Nottendorfer Gasse 11, 1030 Wien, Austria	Holding company
Porritts & Spencer Ltd*	997 Manchester Road, Ashton Under Lyne, Manchester, England	Holding company
Scapa Holdings GmbH	Carl-Reuther-Straße 3, 68305, Mannheim, Germany	Holding company
Scapa (HK) Holdings Ltd	Unit 19, 3/F, Tower B, New Manarin Plaza, No 14 Science Museum Road, Kowloon, Hong Kong	Holding company
Scapa Denver (North) Ltd	997 Manchester Road, Ashton Under Lyne, Manchester, England	Holding company
Scapa North America Inc	111 Great Pond Drive, CT, USA	Holding company
Scapa (No2) Ltd	997 Manchester Road, Ashton Under Lyne, Manchester, England	Non-trading
Scapa Blackburn Ltd*	997 Manchester Road, Ashton Under Lyne, Manchester, England	Non-trading
Scapa General Partner Ltd	13 Queen's Road, Aberdeen, Scotland	Non-trading
Scapa Pension Trustees Ltd	997 Manchester Road, Ashton Under Lyne, Manchester, England	Non-trading
Scapa Scottish Ltd Partnership	13 Queen's Road, Aberdeen, Scotland	Non-trading
Scapa Tapes NA (Carlstadt) Inc	111 Great Pond Drive, CT, USA	Non-trading
Technical tapes companies		
Scapa Brasil Ltda	Rua Voluntários de Pátria, 560, Sala 11, Santana – São Paulo, Brazil	
Scapa Tapes North America Ltd	609 Barnet Boulevard, RR 3 Stn.Main, Renfrew, Canada	
Scapa (Shanghai) International Trading Company Ltd	Section D, Buiding 27, No.500, 2nd East Fute Road, Waigaoqiao Bonded Area, Shanghai, China	
Scapa Tapes (Suzhou) Co. Ltd	4/F, Building 12-3, No.12 Industrial Factory Building, Binhe Road, Suzhou New District, Suzhou, China	
Scapa UK Ltd	997 Manchester Road, Ashton Under Lyne, Manchester, England	
Groupe Scapa France SAS	79 Allée Bernard Palissy, 26001 Valence, France	
First Water Ltd*	997 Manchester Road, Ashton Under Lyne, Manchester, England	
First Water Ramsbury Ltd	997 Manchester Road, Ashton Under Lyne, Manchester, England	
Scapa Deutschland GmbH	Carl-Reuther-Straße 3, 68305, Mannheim, Germany	
Scapa Hong Kong Ltd	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	
Scapa Tapes India Private Ltd	No 21C South Phase, V Cross Street, Guindy, Chennai, India	
Scapa Italia SpA	Via Viltorio Emanuele 2nd 27, 13030 Ghislarengo VC, Italy	
Scapa Korea Co. Ltd	702, DooSan Venture Digm, 126-1, PyeongChon-Dong DongAn-Gu, AnYang-City, GyeongGi, 431-755 Korea	
Scapa Tapes Malaysia Sdn Bhd	8 Jalan Kartunis U1/47 Temasya Ind Park, 40150 Shah Alam, Malaysia	
Scapa (Schweiz) AG	Feldmuhlestrasse, 9400 Rorschach, Switzerland	
Scapa Indutrade (Schweiz) AG	Feldmuhlestrasse, 9400 Rorschach, Switzerland	
Scapa Tapes North America LLC	111 Great Pond Drive, CT, USA	
EuroMed Inc	25 Corporate Drive, Orangeburg, NY 10962, USA	
Minority Shareholdings		
Edixomed Ltd**	England	

All the shareholdings are ordinary shares and the subsidiaries listed are wholly owned and are incorporated in and operate from the countries named, with the exception of entities under minority shareholdings.

* Denotes the undertakings which are held directly by Scapa Group plc.

** Edixomed Ltd is a clinical stage biopharmaceutical company. The company aims to take early stage products through stages of clinical and commercial development to maximise value to the business. The investment is held at cost.

FINANCIAL STATEMENTS

COMPANY INFORMATION

KEY DATES

Next Annual General Meeting	18 July 2017
Next interim results	21 November 2017
Next year end (to be reported)	31 March 2018
Next preliminary announcement	22 May 2018
Next Annual Report due	June 2018

SHAREHOLDER INFORMATION

Shareholder enquiries should be directed to the Company's registrars, Capita Asset Services, at their Customer Support Centre, details as follows:

By phone – UK – 0871 664 0300 (UK calls cost 12p per minute plus your phone company's access charge).
If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.
By email – ssd@capita.co.uk
By post – Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Further information regarding the various services offered by Capita Asset Services, including the Share Portal and Share Dealing Service, can be obtained from the above or directly from Capita's website www.capitaassetservices.com or www.capitashareportal.com.

NOTES

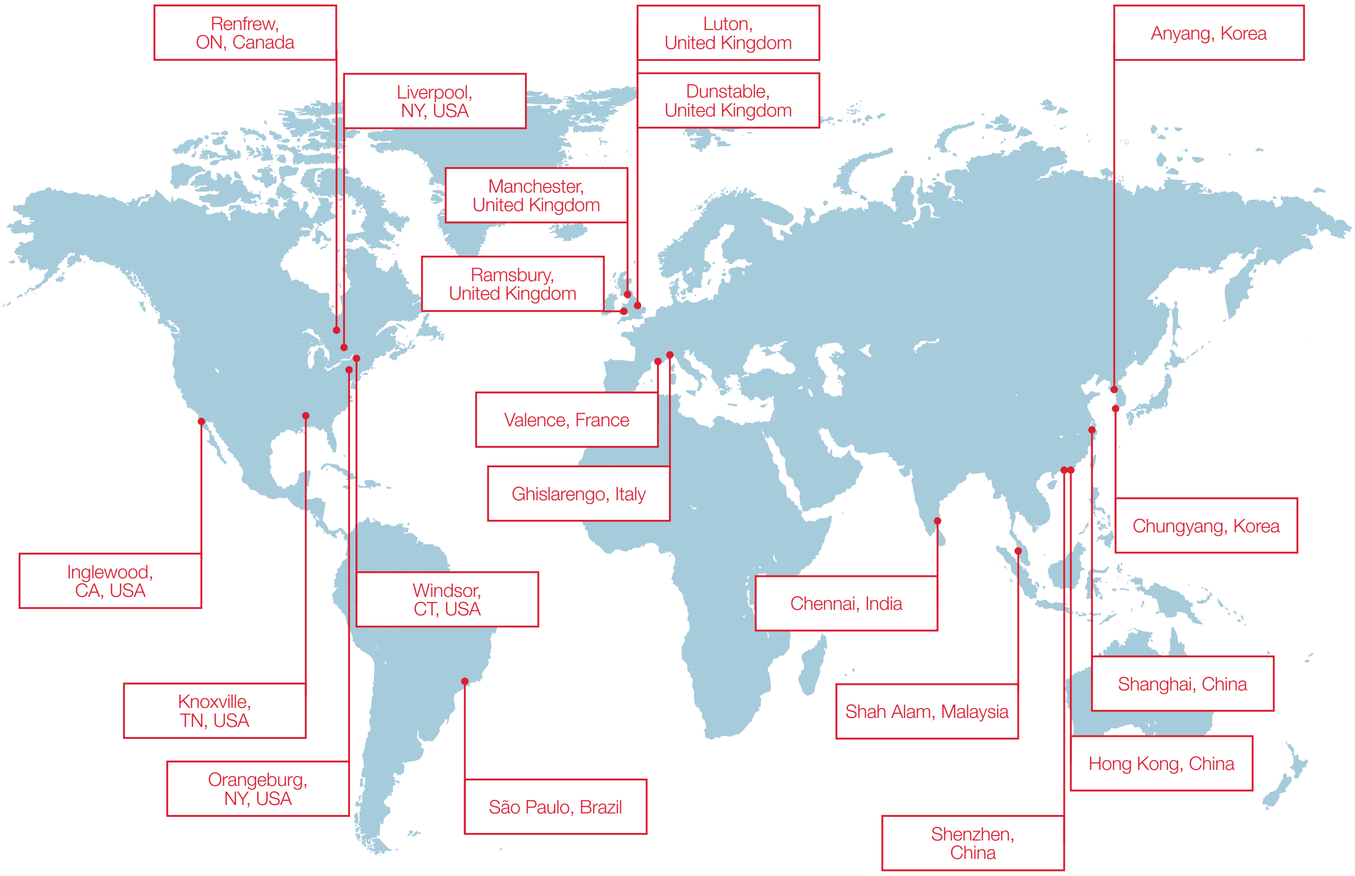
NOTES

MIX
Paper from
responsible sources
FSC® C008198
FSC
www.fsc.org

luminous

Consultancy, design and production
www.luminous.co.uk

Scapa Group plc
Manchester Road
Ashton-Under-Lyne
Greater Manchester OL7 0ED
United Kingdom
T +44 (0)161 301 7400
F +44 (0)161 301 7597
www.scapa.com



Scapa Asia
T +852 2439 4330

Scapa North America
T +1 860 688 8000

Scapa South America
T +55 11 2589 6003

Scapa Europe

UK
T +44 (0) 161 301 7400

France
T +33 (0) 475 44 80 00

Italy
T +39 0161 867 311