23 June 2020

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Scapa Group plc
(“Scapa”, the “Company” or the “Group”)

Preliminary Results

Scapa Group plc (AIM: SCPA), the diversified Healthcare and Industrial company focused on bringing best-in-class innovation, design and manufacturing solutions to its customers, today announces its preliminary results for the 12 months ended 31 March 2020.

Group Financial Highlights

- Group revenue increased 2.8% to £320.6m (2019: £311.8m)
- Trading profit[1] down 27.2% to £27.8m (2019: £38.2m) following the loss of the ConvaTec contract
- Group operating loss of £47.3m following exceptional items of £68.4m including impairments of £54.6m, site closure costs of £8.0m and contract-specific exceptional costs of £7.2m associated with the loss of the ConvaTec contract
- EBITDA[2] down 13.5% to £39.7m (2019: £45.9m)
- Adjusted earnings per share[3] decreased 34.4% to 12.4p (2019: 18.9p); basic loss per share 31.9p (2019: earnings of 5.3p)
- Adjusted net debt[4] of £54.4m (2019: £43.7m)

Divisional Highlights

Healthcare

- Revenue increased 7.6% to £152.0m (2019: £141.3m); 4.5% on a constant currency basis[5], despite the loss of the ConvaTec contract
- On a continuing basis[6], revenue increased 5.1% to £144.7m (2019: £137.7m); 2.0% on a constant currency basis[5]
- Trading profit[1] of £13.7m (2019: £20.9m) is 34.4% lower, largely due to the loss of the ConvaTec contract and a weaker performance at our BioMed site in Dallas, which was impacted by higher one-off costs following major investments in capacity and systems including consultant and subsequent validation costs. On a continuing basis[6] trading profit was £6.4m (2019: £17.3m)
- Continued focus on operational efficiencies through the consolidation of four separate sites into the centres of excellence in Gargrave, UK, and Knoxville, US
- Leveraged manufacturing, technology and development expertise to deliver over 100 programmes in the development pipeline delivering £11.7m in FY20
- Completed two new technology transfers with existing leading consumer healthcare customers

Industrial

- Revenue of £168.6m (2019: £170.5m) was 1.1% lower due to adverse macro conditions; 1.9% lower on a constant currency basis[5]
- Trading profit[1] of £19.5m (2019: £22.3m), with trading profit margin reducing to 11.6% (2019: 13.1%) due to product mix
- 10% revenue growth in Asia made up shortfalls in Europe and North America across the Consumer portfolio
- Delivered 5.5% revenue growth in Cable segment driven by Europe
- Delivered 2.8% revenue growth in European Automotive segment and achieved 5% revenue growth in North American Construction segment, despite overall slowdown across these markets
- Specialty segment declined in revenue due to product rationalisation and reduction in volume at key accounts
- Invested in new coating line and distribution facility in India to support growth and migration to more value added businesses

COVID-19 Update and Outlook

- Successful completion of a placing and subscription of new ordinary shares to raise gross proceeds of £32.6m, together with the Board proposing a suspension of the dividend this year to further strengthen the Balance Sheet
- Secured a new £15m short-term facility to sit alongside the Group's existing £80m revolving credit facility and for certain temporary revisions to its existing covenant arrangements
- Pro forma net debt[7] following the placing of £22.9m which is 0.58x 2020 EBITDA
- Continue to execute a well-developed COVID-19 action plan focused on cost efficiencies, managing cash and preserving liquidity

- Received a US government grant of US$5m under the Paycheck Protection Program
- Year-to-date trading better than initially forecast under Scapa's COVID-19 scenario, but recovery is at a slower pace
- Continue to execute against the COVID-19 scenario and expect trading to be in line with the outlook provided at the time of the placing
- Appointed Chris Brinsmead as Non-Executive Chairman to succeed Larry Pentz, who will step down after three years as Chairman at the Company's AGM on 7 August 2020. Chris's appointment will be effective from 7 August 2020 (see separate announcement)
- Scapa would like to recognise its employees who have gone above and beyond during the global pandemic. The Group has managed to maintain full production at all of its European and North American sites. Their dedication and commitment to supporting Scapa's customers during these unprecedented times is greatly appreciated

Commenting on the results Chief Executive, Heejae Chae, said:
"I am pleased to report a resilient financial and operational performance during the year, despite the significant impact of the loss of the ConvaTec contract. We have delivered record revenue and made good progress on our operational footprint plans for integrating and streamlining the business. In Healthcare, we continue to focus on operational efficiencies to optimise assets, enhance capabilities and develop a strong pipeline. In Industrial, despite substantial market contraction in our key market segments, especially in the second half of the year, we delivered a trading profit margin in the top tier of overall performance by our peers.

"As we navigate through the COVID-19 pandemic, it is difficult to predict how long the restrictions will last or the shape of the recovery. Regardless of the 'new normal', our strategy is to position ourselves to react decisively and quickly to take advantage of the opportunities that will emerge. To provide flexibility to fully realise these opportunities, in May 2020 we strengthened our Balance Sheet through a successful placing and subscription, as well as a debt-refinancing to provide additional liquidity. Whilst we recognise the past year has been difficult, we are confident these actions, alongside cost saving initiatives, will enable Scapa to cement its strong market position, trusted outsource partner status and ability to quickly support its customers as we continue to focus on rigorous execution of our strategy in the short, medium and long-term."

[1] Trading profit – profit before exceptional items, acquisition costs, amortisation of intangible assets and legacy pensions costs
[2] EBITDA – Trading profit before depreciation
[3] Adjusted earnings per share is calculated by dividing the trading profit less interest on cash borrowings, less tax on operating activities by the weighted number of ordinary shares in issue during the year
[4] Adjusted net debt – Cash and cash equivalents net of borrowings including restricted cash and unamortised debt issue costs adjusted to exclude lease liabilities
[5] Constant currency basis – prior year results translated at current year's average exchange rates
[6] Continuing basis – Group results before the impact of IFRS 15 provision release for the Systagenix acquisition
[7] Adjusted net debt plus net proceeds from equity placement

For further information:

Scapa Group plc	Heejae Chae – Group Chief Executive Oskar Zahn – Chief Financial Officer	Tel: 0161 301 7430
Numis Securities Limited (Nominated Adviser/Joint Broker)	Mark Lander, Freddie Barnfield	Tel: 020 7260 1000
Berenberg (Joint Broker)	Chris Bowman, Toby Flaux	Tel: 020 3207 7800
FTI Consulting (Media Relations)	Simon Conway, Victoria Foster Mitchell	Tel: 020 3727 1000

About Scapa Group plc
Scapa Group plc is a diversified Healthcare and Industrial company focused on bringing best-in-class innovation, design and manufacturing solutions to its customers.

Healthcare
Scapa Healthcare is the trusted strategic partner of choice for the world's leading companies in Advanced Wound Care, Consumer Wellness and Medical Device Fixation. We partner with the top global MedTech companies to develop and manufacture innovative skin friendly medical device fixation and topical solutions, from inception through to market delivery, from our state-of-the-art facilities.

For further information, please visit www.scapahealthcare.com

Industrial
Scapa Industrial is a global supplier of bonding solutions and manufacturer of adhesive-based products which offer meaningful value in industrial applications due to their lightweight, easy-to-apply properties. We are recognised for our unparalleled range of products, including adhesive tapes, films and foams, and we can engineer custom designs for even the most unique applications.

For further information, please visit www.scapaindustrial.com

Chairman’s statement

FY20 was a challenging year for Scapa and the current COVID-19 global crisis impacts our ability to be more definitive in our outlook. However, we believe the actions we have taken during this time position us well to maximise any opportunities that emerge for us in a post-pandemic world.

We started the year with the unexpected termination of a multi-year contract with ConvaTec, our largest healthcare customer at the time. The adaptability and resilience of the management team was tested as it navigated through this difficult situation, as well as executing the planned closures of two Healthcare sites to consolidate operations and drive efficiencies across the division. Despite this, the Group delivered record revenue in Healthcare, more than compensating for the loss of ConvaTec. It demonstrates the resilience of our Healthcare proposition and validates the strong relationships we have built with our customers. The Industrial business faced an adverse macro environment particularly in the Automotive and Specialty segments resulting in decline of revenue and margin.

The Group is undergoing a significant transition as it lays the foundation for the Healthcare strategy. The technology transfer of the Gargrave site from Acelity in 2018 has enabled us to take a huge step forward in becoming a leading outsource partner to world-class medical device companies and a global leader in skin technologies. We undertook an extensive investment and restructuring programme that included building a greenfield facility in Knoxville. This will serve as the North American platform alongside the European platform at Gargrave and, by consolidating other facilities into these Centres of Excellence, will deliver operational leverage. We acknowledge that progress has not been in line with our expectations and that we must improve. We will continue to focus on executing our strategy both in Industrial and Healthcare regardless of the current turbulent environment. Whilst it is unclear what the ‘new normal’ will be as we emerge from COVID-19, we know that we must react quickly to any new dynamics and innovate both our business model and our customer offerings to take advantage of the opportunities which we believe will emerge. The recent equity raise, which was oversubscribed almost three times, along with other management actions, will enable the Group to emerge from the current COVID-19 situation with the flexibility to take advantage of these opportunities to accelerate the execution of our strategy.

Performance and dividend

Statutory Group revenue increased 2.8% to £320.6m (2019: £311.8m) and revenue on a continuing basis[1] increased 1.7% to £313.3m (2019: £308.2m). Trading profit decreased 27.2% to £27.8m (2019: £38.2m) and on a continuing basis was £20.5m (2019: £34.6m). On a constant currency basis[2], revenue on a statutory basis grew 1.1% and trading profits declined 28.9%.

Adjusted earnings per share decreased 34.4% to 12.4p (2019: 18.9p) and the basic loss per share was 31.9p (2019: earnings of 5.3p); the operating loss of £47.3m (2019: operating profit of £16.8m) is following a number of exceptional items relating to the loss of the ConvaTec contract, ongoing operational footprint improvements, and goodwill and intangible asset impairments.

The Group ended the year with an adjusted net debt[3] of £54.4m (2019: £43.7m) and the ratio of net debt to EBITDA was 1.37 times, giving significant headroom against our facility covenant of 3.0 times. The Group continues to operate well within its banking covenants.

The Board will not be proposing a dividend at the Annual General Meeting, being one of the actions to strengthen the liquidity of the Group following the impact of COVID-19.

Employees

I want to express my sincere gratitude to our employees across the Group particularly for their efforts and commitment during the COVID-19 pandemic. As all of our sites, with the exception of India, have been classified as essential businesses, we were able to continue working during the various lockdowns to meet the demands of our customers. Our people have demonstrated dedication and courage through this period which has enabled us to stay in operation throughout the entire time. We have implemented strict health and safety measures to ensure that any employee concerns were addressed and safeguarding their wellbeing is our number one priority. The strength of our frontline management and the relationships with our employees and their representatives allowed us to navigate through this very difficult time.

Governance and Board changes

The Board has continued to focus on a strong governance framework, ensuring that internal controls, values and culture align with our strategy.

We have recently made some changes to the structure and composition of the Board to adjust for the new environment and circumstances. We have reduced the number of Executive Directors from four to the Chief Executive Officer and Chief Financial Officer, to streamline and reduce the size of the Board. There are now three independent Non-Executive Directors, with Tim Miller having joined the Board in January 2020 as the Chair of the Remuneration Committee. With 30 years’ experience across a number of industries, including healthcare, Tim is a highly knowledgeable and experienced board-level executive. As a former Director of Standard Chartered Bank with global responsibility for a variety of functions, he appreciates intimately the current challenges faced by businesses in the UK and overseas.

Having served as Chairman of the Company for just over three years I have decided not to offer myself for re-election at the 2020 Annual General Meeting (AGM) and to resign from the Board. I have enjoyed being part of the transformation journey of Scapa in which it has strengthened its position, expanded its business and built a strong platform for growth. Chris Brinsmead, who the Board has appointed to succeed me as Chairman with effect from 7 August 2020, will offer himself for election at the AGM.

Outlook

As we navigate through the COVID-19 situation, it is difficult to predict how long the restrictions will last or the shape of the recovery. However, we do believe that the post-COVID-19 world will be very different. Regardless of the ‘new normal’, our strategy is to position ourselves to react decisively and quickly to adapt to the changes and take advantage of the opportunities that will emerge. We believe that the outsource trend in medical device companies as well as the need to onshore their supply chain from China will accelerate as a result of the crisis. Our footprint and capabilities place us very well to support our customers. In

Industrial, we have the experience and track record to maximise our profit margin and cash flow by focusing on Return on Capital Employed according to the appropriate demand level.

Whilst I recognise that the past year has been difficult, I believe that our strategy is resilient and we will continue to maintain laser-like focus on its execution.

L C Pentz

Chairman

23 June 2020

1 Excluding IFRS 15 provision release. A contract liability provision was created as a result of the acquisition of Systagenix in line with the requirements of IFRS 15 and this is excluded on a 'continuing' basis as it represents a non-cash item. This provision will be released on a straight-line basis over a five-year period, in line with the exclusive supply contract

2 Prior year results translated at current year's average exchange rates

3 Excluding lease liabilities

Chief Executive’s review

FY20 review

In Healthcare we began FY20 with an ambitious transformation agenda, to build on the foundation to become a leading healthcare outsource partner in skin technologies for global medical device companies. We focused on turning the Gargrave site, which was acquired through a technology transfer in FY19, and the greenfield facility in Knoxville, into the Centres of Excellence for our Healthcare business. To that end, two UK sites were consolidated into Gargrave and four US sites (including that at Inglewood) were consolidated into the new Knoxville facility. In addition, Scapa Healthcare completed two technology transfers from two major healthcare customers. However, we did not foresee that ConvaTec would terminate, without cause, the multi-year contract in May 2019. This tested our resilience and adaptability and we were forced to react promptly to mitigate the financial and operational impact. I am grateful to all the employees who helped to ensure that we got through this challenging period by demonstrating the application of our Ten Guiding Principles. Equally I am thankful to our customer partners who we have supported and who helped us to deliver record revenue, more than compensating for the revenue loss of ConvaTec. It is testament to the resilience of our business model and the relationships we have built over the past decade. We still have much work to do to achieve the profit margin we aspire for but we are making good progress.

The Industrial business has stabilised, consists of a resilient portfolio of products and has proven to be efficient and nimble in responding to customer needs. It is focused on niche segments within markets in particular geographies, enabling us to leverage our strong brands and technologies. Our innovation and collaboration with key customers enabled us to gain market share in Cable and Consumer in India. Unfortunately, the tough macro environment in the Automotive and Specialty segments negated these positives and we finished the year with a slight decline in revenue and margin. Our self-help strategy over the past ten years has focused on improving margin and cash through cost-outs and efficiency gains, which we will continue to pursue.

Performance

Statutory Group revenue increased 2.8% to £320.6m (2019: £311.8m) and revenue on a continuing basis increased 1.7% to £313.3m (2019: £308.2m). Trading profit decreased 27.2% to £27.8m (2019: £38.2m) and on a continuing basis was £20.5m (2019: £34.6m). On a constant currency basis, revenue on a statutory basis grew 1.1% and trading profits declined 28.9%. Adjusted earnings per share decreased 34.4% to 12.4p (2019: 18.9p) and the basic loss per share was 31.9p (2019: earnings of 5.3p); the statutory loss is largely following a number of exceptional items relating to the loss of the ConvaTec contract, ongoing operational footprint improvements, and goodwill and intangible asset impairments.

Despite the loss of the ConvaTec contract, Healthcare revenues grew 7.6% to £152.0m (2019: £141.3m) and 4.5% on a constant currency basis. This growth benefited from the full year impact of the acquisition of Systagenix in October 2018 and the revenue relating to the Crawford acquisition from July 2019 onwards. On an organic basis Healthcare revenues declined by 9.8% but this improves to a growth of 10.2% if we exclude the impact of the ConvaTec contract, showing that the underlying business has continued to perform well for Healthcare. Healthcare trading profit of £13.7m (2019: £20.9m) was 34.4% lower and on a continuing basis was £6.4m (2019: £17.3m). Organic continuing trading profit on a constant currency basis is down 51.7% at £8.8m; the trading profit margin for Healthcare was 9.0% (2019: 14.8%), weakened by the loss of the ConvaTec contract.

Industrial revenue of £168.6m (2019: £170.5m) was 1.1% less due to the adverse macro conditions particularly affecting the Automotive and Specialty product segments; on a constant currency basis this year-on-year decline increases to 1.9%. Industrial trading profit of £19.5m (2019: £22.3m) was 12.6% lower with the trading margin falling to 11.6% (2019: 13.1%) due to the impact of the reduction in volume and margin mix following the macro-economic challenges.

COVID-19

The COVID-19 pandemic has impacted all territories and market segments in which we operate. Both our Healthcare and Industrial businesses were classified as essential and remained open despite the various government control measures enforcing lockdowns, with the exception of India. The initial restriction on travel required strong local and frontline management to quickly respond to a very dynamic situation. The collaboration and positive relationships with our employees and the respective representatives was essential in maintaining our ongoing operations. We implemented strict health and safety measures to ensure that any employee concerns were addressed and we safeguarded their wellbeing.

We have experienced a significant deterioration of revenue during the first quarter of FY21 as the various government control measures enforced mandatory lockdowns for some of our customers. This has had a major impact on Scapa’s financial position and we immediately put in place a range of mitigating actions including internal cost expenditure streamlining, debt renegotiation and an equity raise. We have also significantly reduced capital expenditure and working capital to maximise operational flexibility. Furthermore, we have reviewed all government schemes in each operating jurisdiction that could provide liquidity benefits. We believe these actions will provide Scapa with sufficient working capital and liquidity to withstand the adverse financial impact caused by the pandemic and provide flexibility to capitalise on potential opportunities in a post-COVID-19 environment.

Markets

We are the market leader in skin technology for healthcare companies. We broadly segment our portfolio into Advanced Wound Care, Consumer Wellness and Medical Device Fixation. Our products are typically disposables and consumables which are stand-alone products or components of a medical device system. The demand for our products is driven by trends in demographics such as ageing populations and the increase in obesity-related illnesses. Our opportunities are further enhanced by the trends that the medical device companies have been undergoing. Similar to other segments of healthcare, such as pharmaceuticals, there are increasing trends toward outsourcing by the medical device companies.

Outsourcing includes not only manufacturing but also development of the products. Medical device companies are reconsidering their integrated model and shifting towards an asset-light strategy and looking to external partners to fill the gap in development, supply chain and manufacturing. The COVID-19 pandemic has accelerated the outsourcing trends with companies evaluating their supply chain and looking to onshore back to North America and Europe from China. Given our track record of operational excellence and reliability, Scapa is ideally positioned to become their partner of choice.

The Industrial US$30bn pressure sensitive adhesive market is global, diverse and fragmented. The technology is prevalent across a wide range of markets and applications. Scapa's strategy has been to focus on selected markets where we have competitive technologies or positions. Our target markets are: Construction, Consumer, Cable, Automotive and Specialty. In Construction and Consumer, which are primarily business to consumer (B2C), we leverage our strong brand recognition as well as a broad product portfolio to meet the evolving need of the markets. These segments continue to require safer, temperature-resistant bonding solutions that are both compatible with next-generation materials and comply with increasingly stringent regulatory codes. To remain competitive, our customers increasingly require accelerated new product development, product availability and regional support. Cable, Automotive and Specialty are primarily business to business (B2B), dealing with major global OEMs. The products are designed into an application based on specific technical requirements. The customers require significant technical and global support. Despite our size relative to the overall market, Scapa is one of the largest and few companies with a global footprint to support the OEMs.

Strategy

The Scapa Healthcare strategy is underpinned by the unique position we have with our customers who are global leading medical device companies. We believe we have become a partner of choice for many of our customers and we continue to leverage these strong relationships to deliver organic growth. Our technologies and in-depth expertise play a critical role in the performance of our customers' products for patients and healthcare professionals. This ensures that we have close relationships at key levels with our global customers. Our strategy is to leverage our current position and expand on the share of our customers' spend by providing additional products and services, beyond adhesives. Our transformation from roll stock supplier to complete turn-key partner has been based on this strategy.

Another trend emerging from the COVID-19 pandemic also aligns to our strategy, with many healthcare companies assessing their extended supply chain in Asia. We have already received enquiries from customers who are looking to onshore some of their production from China back to North America and we expect this trend to follow in Europe. Our platforms and capabilities position us well to take advantage of such opportunities and the incremental volume will enable us to increase the utilisation of our manufacturing facilities which will further enhance our benefit from operational gearing.

In Industrial, our strategy is to focus on niche markets and products where we hold a competitive and defensible position. We rely on our strong brand recognition to address the consumable segments of our business. In Europe, and France in particular, we trade under the Barnier® brand which is synonymous with PVC tapes. In North America we trade under Polyflex® which is a market leader in polyethylene tapes. We are also market leaders in hockey tapes under the Renfrew™ brand. In the Engineered Products segment of the business, where we are working on application-specific projects with large OEMs, it is our extensive adhesive portfolio and coating technologies that give us an advantage. Our ability to provide innovative solutions to complex bonding challenges is critical in supporting our Cable, Automotive and Specialty customers. We leverage our digital channel to capture incremental market share. Equally, we continue to drive return on capital employed by focusing on cost-outs and efficiencies. Our self-help agenda underpins every decision we make in Industrial with the goal of maximising margin and cash. We believe that our strategy enables us to respond quickly to the 'new normal' that will result from the current COVID-19 situation. Whilst no one is certain what the 'new normal' will be, we are confident that we have the culture and track record to adjust to the new environment and maximise on opportunities.

People

The execution of our strategy is reliant on our entrepreneurial culture and the adaptability and resilience of our people, which drives our ability to focus on bringing best-in-class innovation, design and manufacturing solutions to our customers and it is this that sets us apart. Indeed, it is this entrepreneurial spirit that has enabled us to rapidly adapt to the challenges and changes that we have had to face. There have been occasions in the last year where the benefits of the application of our Ten Guiding Principles and The Scapa Way have been evident and, as a consequence, we end the year resilient, focused and innovative, and striving to improve as our journey continues. I would like to take this opportunity to recognise our employees who have gone above and beyond during the global pandemic. We have managed to maintain full production capability at all of our European and North American sites. Their dedication and commitment to supporting our customers during these unprecedented times is greatly appreciated.

Operational review – Healthcare

Overview

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

Through innovation, expertise and alignment of our core values, we support leading healthcare companies through their growth challenges by developing and manufacturing innovative skin friendly fixation devices and topical skin care solutions. We continue to focus on supporting healthcare companies through operational excellence to deliver long-term sustainable growth. We remain committed to investing in the business and finding innovative solutions to strengthen our position as our customers' preferred outsource partner.

On 10 July 2019, Scapa Tapes North America LLC filed a complaint against ConvaTec Inc in the state of Connecticut for breach of a material supply agreement alleging damages of US$83.81m and a declaratory judgement requesting a court ruling that a non-compete provision in the agreement is legally impermissible. Scapa Tapes North America LLC maintains its position robustly asserting its claim for breach of contract and declaratory judgement. Claims raised by ConvaTec Inc against Scapa Group plc and Scapa Tapes North America LLC in New Jersey have been dismissed. ConvaTec Inc has reasserted certain contract breach, declaratory judgement and other claims against Scapa Group plc and Scapa Tapes North America LLC in Connecticut "in response to the Complaint Scapa Tapes North America LLC filed", which are robustly denied.

Performance
Healthcare revenue of £152.0m (2019: £141.3m) on a statutory basis is an increase of 7.6% despite the loss of the ConvaTec contract during the year. On a continuing basis revenue increased by 5.1% to £144.7m (2019: £137.7m). This includes the impact of the Crawford Manufacturing acquisition and a full year impact of the Systagenix (Gargrave) acquisition. Organic revenues on a constant currency basis are 12.4% lower than the prior year as a result of the loss of the ConvaTec contract; if we excluded the impact of ConvaTec then organic revenues grew 7.5% on a continuing basis.

Healthcare trading profit of £13.7m (2019: £20.9m) is 34.4% lower, largely due to the loss of the ConvaTec contract and a weaker performance at the BioMed site in Dallas, which was impacted by higher one-off costs following major investments in capacity and systems including consultant and subsequent validation costs. On a continuing basis trading profit was £6.4m (2019: £17.3m), a deterioration of 63.0%. Organic trading profit on a constant currency basis fell by 42.9% to £12.4m. Exceptional items of £70.1m (2019: £11.3m) were incurred by the business unit with £54.6m (2019: £4.6m) of goodwill and intangible asset impairments and £7.2m of costs relating directly to the loss of the ConvaTec contract.

Markets
As the healthcare environment is rapidly evolving and competition increasing, the need for innovation remains a priority for healthcare companies. To address this need, companies rely on strategic partners to streamline their development processes and expedite the introduction of unique solutions to market.

Scapa Healthcare continues to focus on its innovation efforts to build a solid pipeline across all market segments leveraging our manufacturing, technology and development expertise. Through these efforts, we have developed a robust pipeline of custom solutions with over 100 projects in various stages. The expansion of our portfolio offering with topical solutions at BioMed Laboratories continues to resonate well with existing and new customers, opening multiple opportunities for product expansion and introduction of new products into the wound care, ostomy and consumer wellness markets. In Europe, the R&D, collagen and gamma sterilisation capabilities at our Gargrave site have been critical in driving customer engagement and new product innovations with market leaders. We believe our unrelenting focus on innovation continues to elevate our strategic position as the de-facto product development and manufacturing arm.

The outbreak of COVID-19 has forced the healthcare industry to adapt rapidly to fight this global pandemic. Businesses across the industry are fast-tracking creative ways to support the unprecedented high demand for products and services to protect frontline healthcare workers and the global population. Scapa Healthcare supported our customers by leveraging the FDA's waiver for the temporary manufacture of alcohol-based hand sanitisers to prepare thousands of gallons at our Windsor facility. As skin sensitivity and sanitisation concerns heighten, we will continue to work with healthcare companies to leverage our capabilities to temporarily support them with urgently needed medical products during this crisis.

Strategy
Scapa Healthcare will continue to focus on being a strategic outsource partner of choice for current and future industry leaders in Advanced Wound Care, Consumer Wellness and Medical Device Fixation. As global medical device companies increasingly rely on trusted partners across a wide range of services, we believe we are well positioned to benefit from this increasing trend towards outsourcing.

Our strategy is to become our customers' de-facto product development and manufacturing arm. We will accomplish this by delivering high-quality products, which is at the heart of everything we do; it is the foundation of trust and partnership with our customers. We have dedicated global healthcare quality teams at each site and all product development and production processes are subject to rigorous quality control measures.

We will remain focused as a business-to-business partner that supports customers in the design, manufacture, sterilisation and distribution of medical devices and topical skin care products into the Healthcare markets we serve. We will do this profitably by continuing to focus on creating value for shareholders through footprint optimisation and operational efficiencies.

Scapa Healthcare made significant progress on operational optimisation. The consolidation of the Inglewood facility into our Knoxville, Tennessee, centre of excellence was successfully completed, allowing for greater operational efficiencies through proximity and scale. In the UK, the closure of the Dunstable site was also completed and, as part of the plan, core assets were transferred from Dunstable to the Gargrave facility, thereby equipping Gargrave with additional coating capabilities. This addition has enhanced Gargrave's value proposition as an end-to-end strategic manufacturing partner for leading healthcare companies.

Our team of dedicated experts and full turn-key capabilities allow to rapidly take a product from concept to finished product and market faster than many of our partners can do internally. Our ability to innovate and deliver differentiated finished products to market faster gives our partners a sustainable competitive advantage versus their competitors. This establishes long-term partnerships, supported by multi-year contracts that provide visible and secure streams of income for the business.

Our technology transfer strategy further strengthens our partnerships as we seek to acquire technologies or assets from customers to enable them to more efficiently focus on their core business. We remain focused on the execution and implementation of our technology transfers to ensure a continual stream of revenue for future years while maximising the expectations of our customers and shareholders.

In the past year, we executed and converted two signed technology transfers into revenue. We successfully completed the transfer of manufacturing equipment from a leading consumer healthcare brand into the Knoxville facility. As we started recognising revenue from this transaction, we remained focused on operational efficiencies while supporting our customer efforts to revitalise this product line. Leveraging this experience we also secured a new technology transfer with an existing global healthcare customer to produce an additional line of products and under a multi-year exclusive supply agreement, its manufacturing equipment was moved into our Knoxville facility. The entire qualification is close to completion and we expect the transfer to be fully operational in the next financial year.

We would like to take this opportunity to recognise our employees who have gone above and beyond during the global pandemic. We have managed to maintain full production capability at all of our European and North American sites. Their dedication and commitment to supporting our customers during these unprecedented times is greatly appreciated.

Looking forward, we will continue to establish a strong platform for growth with long-term contract renewals and increased strategic engagement with our customers. In order to do so, we must focus on the total Scapa value proposition to provide full supply chain and complete product processes from design and raw material selection, through converting and packaging, to sterilisation and logistics. We will continue to expand and strengthen our current capabilities and monitor any gaps in the value chain.

Operational review – Industrial

Overview

The financial year 2020 was challenging for Scapa Industrial, especially the second half of the year where we experienced substantial market contraction in our key market segments. In the face of macro-economic challenges, coupled with the impact of COVID-19 to our end markets in the fourth quarter, the Industrial business managed to outperform most of its peers with revenues slightly below prior year (-1.9% at constant currency). The shortfall in revenue combined with an unfavourable product mix resulted in a trading profit impact that was disproportionate to the revenue drop. A near 5% of revenue reduction in Europe was replaced with revenues in lower margin regions and products. The Industrial business ended the year with a trading profit margin of 11.6%, which is still in the top tier of overall performance by our peers.

Performance

Industrial revenue of £168.6m (2019: £170.5m) was 1.1% lower (or 1.9% lower on a constant currency basis) than the prior year as a result of the adverse macro-economic conditions, particularly in the Automotive and Specialty markets, albeit there was some positive growth in the Cable and Consumer markets, with the Markel acquisition from 2017 returning growth of over 18% in revenues across the current year. The trading profit margin fell to 11.6% (2019: 13.1%) with a trading profit of £19.5m (2019: £22.3m).

Markets

The key market segments we serve in Europe and North America faced a number of macro-economic challenges as most segments had varying degrees of sluggish performance. Europe was hardest hit where we experienced a near 5% reduction in revenues with most segments affected. North America was relatively flat with revenues 1.4% below prior year mainly driven by the closure of Liverpool, US. Asia and Brazil were the bright spots for the year with combined revenues that were 10.7% above prior year.

Our Engineered Products businesses, consisting of Automotive, Cable and Specialty, had mixed levels of performance across all regions and customers.

In Automotive, the worldwide reduction in demand affected the overall business. Total revenues were 2.9% below prior year. Prior to the global shutdown of production plants, the automotive business in Europe was gaining momentum on the start-up of new projects and applications with key OEMs.

The Cable segment had a solid year with total revenues that were 5.5% above prior year. Significant double-digit growth was achieved in Europe driven by new projects and recovery of lost business. North America started the year strong but tapered off in the second half to finish the year with modest growth. Asia was slightly below prior year.

The Specialty segment experienced significant reduction of revenues mainly driven by the site closure in Liverpool, US, product line rationalisation and an overall reduction of volume at key accounts. North America was hardest hit, followed by Europe. Asia and Brazil both saw meaningful gains, albeit on a smaller scale.

Our Commercial Products businesses (Construction and Consumer) – experienced mixed results with Construction in North America generating 5% year-on-year growth driven by a resurgence of the Polyflex® PE product line coupled with stronger demand overall. Both Europe and Asia saw double-digit declines resulting in a 2.7% decrease in the overall segment. The Consumer segment also experienced regional variability with lower revenues in North America and Europe counteracted by significant double-digit growth in Asia. The segment overall gained 2.3% over the prior year.

Strategy

With the current challenges of the global pandemic, our priority is to provide a safe working environment for all of our employees. Our goal is to maintain and enhance our supply chain of raw materials in order to support customers to the best of our abilities.

In the near term, our focus will be to provide key products to our customers in essential businesses as well as to provide pandemic specific products such as lane marking tape, caution tape, contamination barrier tape, protective films for common touch areas and 'sticky mats' for clean rooms.

For the long term, we will continue to build on our commercial strategy to concentrate on core markets and our top 20 customers; these customers generated nearly double-digit growth in the year. For 2021, we will shift our current global commercial model to a regionalised structure to ensure increased focus, improved response times and to better leverage customer relationships. Ongoing efforts to introduce additional products and new technologies to our current customers, coupled with continued pursuit of cross-selling opportunities in adjacent markets, will create additional opportunities to grow the Industrial business.

Our global team of R&D chemists and material scientists, backed by our supply chain management team, are able to identify, source, develop and commercialise market need-driven technologies and products. Our proprietary product development process ensures constant communication with the target customers and the commercial team to ensure proper commercialisation and launch of new products.

Our manufacturing sites continue to optimise and improve manufacturing processes and quality standards. All of the sites made meaningful gains in various operational benchmarks. Ongoing investments helped improve technical capabilities and safety standards. The state-of-the-art PVC coating line became operational in Chennai, India, and commercial production started in late 2019 to service local customers.

We would like to take this opportunity to recognise our employees who have gone above and beyond during the global pandemic. We have managed to maintain full production capability at all of our European and North American sites. Their dedication and commitment to supporting our customers during these unprecedented times is greatly appreciated.

As we look forward, we are convinced that we are poised and ready to face any challenge the future may bring, confident that we will all be stronger and more resilient than ever before.

Chief Financial Officer's review

Dear shareholder

It has been a challenging year for the business following the loss of the ConvaTec contract from June 2019, but despite this the Group has continued to grow and this resilience has enabled solid cash management performance, whilst still allowing us to make significant progress on our operational footprint plans.

The onset of the COVID-19 global pandemic has also focused the Group on strengthening its Balance Sheet. Post period, the Group secured an additional £15.0m funding from its existing banking syndicate, an equity placement of £32.6m (approximately 20% of the issued share capital at date of placement) and worked with the Trustees to defer the UK pension capital reserve biannual payment. We have also worked collaboratively with employees to ensure that the Group's sites continue to operate safely and effectively.

The Board has recommended that no dividend is declared this year to support this process of strengthening the Balance Sheet.

Revenue and profits

The financial results have been prepared under IFRS and the Group's accounting policies.

Statutory Group revenue increased 2.8% to £320.6m (2019: £311.8m) and revenue on a constant currency basis grew 1.1%.

Despite the loss of the ConvaTec contract, Healthcare revenues grew 7.6% to £152.0m (2019: £141.3m) and 4.5% on a constant currency basis. This growth benefited from the full year impact of the acquisition of Systagenix in October 2018 and the revenue relating to the Crawford acquisition from July 2019 onwards. On an organic basis Healthcare revenues declined by 9.8% but this improves to a growth of 10.2% if we exclude the impact of the ConvaTec contract, showing that the underlying business has continued to perform well for Healthcare.

Industrial revenue of £168.6m (2019: £170.5m) was 1.1% less due to the adverse macro conditions particularly affecting the Automotive and Specialty tapes segments; on a constant currency basis this year-on-year decline increases to 1.9%.

The Group statutory operating loss was £47.3m (2019: profit of £16.8m) following a number of exceptional items relating to the loss of the ConvaTec contract, ongoing operational footprint improvements, and goodwill and intangible asset impairments following the IAS 36 impairment review. As a Group which reports its results at 31 March 2020, the Group has taken into account the likely impact of the global COVID-19 pandemic when assessing the likely future cash flow generation for its various sites and this, along with the increased macro risk environment, has resulted in an increase to the Group's discount rate with impairments totalling £54.6m.

In order to monitor the performance of the Group on a consistent basis, the Group uses certain alternative performance measures which enable it to assess the underlying performance of its business and assist shareholders in better understanding this performance. The Group's key financial performance metric is 'Trading profit', which is operating profit before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs. Excluding these items from trading profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how business performance is planned by and reported to the Board. The reconciliation between trading profit and operating profit is shown below:

Reconciliation between trading profit and operating loss

	£m
Trading profit	**27.8**
Amortisation	**(5.8)**
Exceptional items	**(68.4)**
Pension admin costs	**(0.7)**
Acquisition costs	**(0.2)**
Operating loss	**(47.3)**

Trading profit decreased 27.2% to £27.8m (2019: £38.2m) and on a continuing basis was £20.5m (2019: £34.6m). Trading profit margins on a statutory basis are 8.7% (2019: 12.3%) and fall to 6.5% on a continuing basis.

Healthcare trading profit of £13.7m (2019: £20.9m) was 34.4% lower and on a continuing basis was £6.4m (2019: £17.3m). Organic statutory trading profit on a constant currency basis is down 42.9% at £12.4m; the trading profit margin for Healthcare was 9.0% (2019: 14.8%), weakened by the loss of the ConvaTec contract.

Industrial trading profit of £19.5m (2019: £22.3m) was 12.6% lower with the trading margin falling to 11.6% (2019: 13.1%) due to the impact of the reduction in volume and margin mix following the macro-economic challenges.

Profit before tax
The Group made a loss before tax of £51.0m (2019: profit before tax of £14.9m), with the fall in results due largely to the exceptional items shown above. The adjusted profit before tax was £26.1m (2019: £36.8m).

Currency
Currency translation had an overall beneficial impact for the Group during the current year and the impact of this when applied to the 2019 results would be to increase sales by 1.7% and trading profit by 2.3%.

Exceptional and non-trading adjusted items
Exceptional costs of £68.4m (2019: £12.8m) were booked in the period.

The loss of the ConvaTec contract resulted in exceptional costs totalling £7.2m comprising the write-off of specific inventory of £4.6m, severance costs of £0.1m, legal costs of £1.0m and other costs of £1.5m. In addition, goodwill impairments of £9.0m were booked for sites affected by the loss of the ConvaTec contract.

The closure of the UK Dunstable site was finalised during the year and the preparation for the closure of one of the sites in the US to move into our new Knoxville facility has been ongoing during the current year resulting in exceptional costs of £6.7m. A further £0.7m was recognised as exceptional due to the restructuring of the recently acquired Systagenix site and costs of £0.6m relating to an aborted development contract.

As mentioned above, on an annual basis the Group assesses the recoverability of all goodwill, intangible and asset balances. At 31 March 2020 the discounted cash flows for five sites did not support the goodwill associated with the acquisitions totalling an overall impairment of £54.6m. Two of these related to the loss of the ConvaTec contract (£9.0m) with a further £45.6m of goodwill and intangible write-offs largely driven by an increased risk assessed discount rate and the potential impact of the COVID-19 pandemic on the Group, alongside a weaker financial performance for the BioMed site in Texas, which was acquired in March 2018, due to higher one off costs following major investments in capacity and systems including consultant and subsequent validation costs.

The Board commenced a review of operations to optimise the performance of the Group, which incurred exceptional fees of £0.7m, and there was also an exceptional gain of £2.4m as a result of the buy-out of one of the US defined benefit pension schemes in March 2020. Scapa UK Ltd has booked a provision of £0.3m in anticipation of an HSE penalty.

The Group has adjusted the trading profit for the following non-trading items as shown in the previous column in the Reconciliation between trading profit and operating loss:

- amortisation of intangible assets of £5.8m;
- pension administration costs for the legacy UK scheme of £0.7m; and
- acquisition costs of £0.2m incurred in the period relating to the acquisition of Crawford and other aborted acquisitions.

Cash flow

	2020 £m	2019 £m
Cash generated from operations before exceptional items	**37.7**	23.3
Cash outflow from exceptional items	**(17.1)**	(2.9)
Capital expenditure	**(16.5)**	(27.1)
Net tax and interest	**(5.0)**	(9.2)
Proceeds from issue of shares	**0.1**	–
Proceeds from disposal of fixed assets	**–**	1.0
Dividend paid	**(4.5)**	(3.7)
Exchange and other movements	**(1.2)**	(1.0)
Change in net debt	**(6.5)**	(19.6)
Opening net debt	**(55.7)**	(3.8)
IFRS 16 increase in net debt	**(11.0)**	–
Acquisitions	**(1.4)**	(32.3)
Closing net debt	**(74.6)**	(55.7)

Net debt to EBITDA
The Group has a revolving credit facility of £80.0m committed with a further £20.0m uncommitted accordion until October 2022. Following the impact of the COVID-19 pandemic, a further 12-month facility of £15.0m was entered into in June 2020 with the existing banking syndicate to provide additional headroom for the Group. Furthermore, an equity placement of £32.6m gross equating to approximately 20% of the issued share capital was also completed in May 2020. This significantly strengthens the Balance Sheet.

At the end of the year adjusted net debt was £54.4m (2019: £43.7m) and the ratio of net debt to EBITDA was 1.88 times. However, the RCF is on frozen GAAP and so excludes the impact of IFRS 16 Leases; therefore the ratio for the banking covenant was 1.46 times, well within the covenant of 3.0 times.

	As per RCF (Frozen GAAP)			
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trading profit	**27.8**	38.2	**27.8**	38.2
Depreciation	**11.9**	7.7	**11.9**	7.7
EBITDA	**39.7**	45.9	**39.7**	45.9
Lease costs	**(2.5)**	–	**–**	–
	37.2	45.9	**39.7**	45.9

Net debt to EBITDA	**N/A**	N/A	**1.88x**	1.21x
Adjusted net debt to EBITDA	**1.46x**	0.95x	**1.37x**	0.95x

Taxation
The adjusted effective tax rate was 26.4% (2019: 20.9%) with a headline effective tax rate of 2.9%, resulting in a tax credit of £1.5m (2019: charge of £6.7m) and includes a £6.9m (2019: £7.7m) charge on trading activities and £8.4m credit (2019: £1.0m credit) on exceptional and non-trading activities.

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. Although the other national rates applied to local profits are generally higher than the UK standard rate, the Group also benefits from unrecognised tax losses in the UK along with sensible and compliant tax planning.

The Group's cash tax payment in the year was £3.3m (2019: £7.8m).

Earnings per share
Adjusted earnings per share fell to 12.4p (2019: 18.9p) and basic earnings per share fell to a loss of 31.9p (2019: earnings of 5.3p) as a result of the impairments and footprint restructuring costs in the period.

Pension
The Balance Sheet value of the Group's defined pension schemes was a deficit of £6.1m (2019: £8.4m) at the end of March 2020. This deficit relates to schemes that have been closed for many years, and some small overseas leaving indemnities that are classed as defined benefit. The majority of the post-retirement benefit schemes for employees are defined contribution.

The UK pension scheme is now in a surplus position at £4.2m. However, the Group is not recognising this surplus in line with IASB IFRIC 14 guidance; therefore the UK scheme is held at a value of £Nil (2019: deficit of £2.2m). The Group reached agreement with the Trustees for a deferral of the March contributions (£2.0m) following the COVID-19 outbreak and this is held as restricted cash on the Balance Sheet at the end of March 2020. It will be paid into the scheme during FY21, with the timing subject to a contractual agreement; hence the contributions into the scheme for 2020 were £2.2m (2019: £4.0m) as a result of the 2012 Central Asset Reserve (CAR) structure.

During the year the Group achieved a full buy-out of one of the US defined benefit schemes resulting in a return of surplus contributions of £0.6m and an exceptional gain of £2.4m recognised on the Income Statement.

UK departure from the EU
As a global company, with over 82% of the Group's activity outside of the UK, Scapa has limited exposure to the implications of the UK departure from the EU and the Board continues to closely monitor the situation to assess any potential changes as they emerge, in particular relating to customs and duties and foreign exchange impact, including a no-deal departure.

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

O Zahn

Chief Financial Officer

23 June 2020

* Excluding lease liabilities
** Trading profit less interest on bank borrowings

Consolidated Income Statement

for the year ended 31 March 2020

All on continuing operations	Note	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 £m
Revenue	2	**320.6**	311.8
Operating (loss)/profit	2,4	**(47.3)**	16.8
Trading profit*		**27.8**	38.2
Amortisation of intangible assets		**(5.8)**	(6.0)
Exceptional items	5	**(68.4)**	(12.8)
Acquisition costs		**(0.2)**	(2.0)
Pension administration costs		**(0.7)**	(0.6)
Operating (loss)/profit		**(47.3)**	16.8
Finance costs	7	**(3.7)**	(1.9)
(Loss)/profit on ordinary activities before tax		**(51.0)**	14.9
Taxation credit/(charge)	8	**1.5**	(6.7)
(Loss)/profit for the year		**(49.5)**	8.2
Weighted average number of shares	9	**155.1**	154.1
Basic (loss)/earnings per share (p)	9	**(31.9)**	5.3
Diluted (loss)/earnings per share (p)	9	**(31.2)**	5.2
Adjusted earnings per share (p)**	9	**12.4**	18.9

* (Loss)/profit before tax, before net finance costs, exceptional items, amortisation of intangible assets, acquisition costs and legacy pension costs

** Adjusted earnings per share is calculated by dividing the trading profit less interest on bank borrowings, 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 2020

All on continuing operations	Note	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 £m
(Loss)/profit for the year		**(49.5)**	8.2
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		**6.3**	5.5
Actuarial (loss)/gain		**(1.3)**	9.4
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial loss/(gain)		**0.3**	(0.5)
Other comprehensive income for the year		**5.3**	14.4
Total comprehensive (loss)/income for the year		**(44.2)**	22.6

Consolidated Balance Sheet

as at 31 March 2020

	Note	**31 March 2020 £m**	31 March 2019 £m
Assets			
Non-current assets			
Goodwill	12	**61.1**	108.3
Intangible assets	13	**3.4**	10.8
Property, plant and equipment	14	**75.7**	81.0
Right-of-use assets		**19.9**	–
Deferred tax asset	8	**9.5**	4.3
Other receivables		**0.1**	0.2
		169.7	204.6
Current assets			
Inventory	15	**41.5**	45.9
Trade and other receivables	16	**63.7**	69.2
Current tax asset		**0.2**	1.1
Cash and cash equivalents	17	**16.3**	10.8
		121.7	127.0
Liabilities			
Current liabilities			
Borrowings and other financial liabilities	19	**(0.1)**	(12.2)
Lease liabilities		**(2.5)**	–
Trade and other payables	18	**(56.8)**	(58.5)
Current tax liabilities		**(2.0)**	(1.2)
Provisions	20	**(13.6)**	(18.6)
		(75.0)	(90.5)
Net current assets		**46.7**	36.5
Non-current liabilities			
Borrowings and other financial liabilities	19	**(71.0)**	(54.8)
Lease liabilities		**(17.7)**	–
Trade and other payables	18	**(0.6)**	(0.6)
Deferred tax liabilities	8	**(6.1)**	(6.0)
Non-current tax liabilities		**(2.1)**	(3.8)
Retirement benefit obligations		**(6.1)**	(8.4)
Provisions	20	**(20.4)**	(28.1)
		(124.0)	(101.7)
Net assets		**92.4**	139.4
Shareholders' equity			
Ordinary shares		**7.8**	7.7
Share premium		**1.0**	1.0
Retained earnings		**48.4**	101.8
Translation reserve		**35.2**	28.9
Total shareholders' equity		**92.4**	139.4

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2018	7.7	0.4	23.4	87.4	118.9
Employee share option scheme – value of employee services	–	–	–	1.0	1.0
Dividends to shareholders	–	–	–	(3.7)	(3.7)
Issue of shares	–	0.6	–	–	0.6
	–	0.6	–	(2.7)	(2.1)
Currency translation differences	–	–	5.5	–	5.5
Actuarial gain on pension schemes	–	–	–	9.4	9.4
Deferred tax on actuarial gain	–	–	–	(0.5)	(0.5)
Net income recognised directly in equity	–	–	5.5	8.9	14.4
Profit for the period	–	–	–	8.2	8.2
Total comprehensive income	–	–	5.5	17.1	22.6
Balance at 31 March 2019	7.7	1.0	28.9	101.8	139.4
Employee share option scheme – value of employee services	–	–	–	1.6	1.6
Dividends to shareholders	–	–	–	(4.5)	(4.5)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(2.9)	(2.8)
Currency translation differences	–	–	6.3	–	6.3
Actuarial loss on pension schemes	–	–	–	(1.3)	(1.3)
Deferred tax on actuarial loss	–	–	–	0.3	0.3
Net income recognised directly in equity	–	–	6.3	(1.0)	5.3
Loss for the period	–	–	–	(49.5)	(49.5)
Total comprehensive income/(loss)	–	–	6.3	(50.5)	(44.2)
Balance at 31 March 2020	**7.8**	**1.0**	**35.2**	**48.4**	**92.4**

Consolidated Cash Flow Statement

for the year ended 31 March 2020

All on continuing operations	Note	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 £m
Cash flows from operating activities			
Net cash flow from operations	21	**20.6**	20.4
Cash generated from operations before exceptional items	21	**37.7**	23.3
Cash outflows from exceptional items	21	**(17.1)**	(2.9)
Net cash flow from operations		**20.6**	20.4
Interest paid		**(3.4)**	(1.4)
Income tax paid		**(3.3)**	(7.8)
Net cash generated from operating activities		**13.9**	11.2
Cash flows used in investing activities			
Acquisition of subsidiary, net of cash acquired	11	**(1.4)**	(32.3)
Purchase of property, plant and equipment		**(16.5)**	(27.1)
Purchase of capitalised development costs		**–**	(0.1)
Proceeds from disposal of fixed assets		**–**	1.0
Net cash used in investing activities		**(17.9)**	(58.5)
Cash flows generated from financing activities			
Issue of shares		**0.1**	0.6
Dividends		**(4.5)**	(3.7)
Increase in borrowings		**28.8**	123.2
Repayment of borrowings		**(15.2)**	(80.7)
Net cash generated from financing activities		**9.2**	39.4
Net increase/(decrease) in cash and cash equivalents		**5.2**	(7.9)
Cash and cash equivalents at beginning of the year		**10.8**	18.1
Exchange gains on cash and cash equivalents		**0.3**	0.6
Total cash and cash equivalents at end of the year	17	**16.3**	10.8

Notes on the accounts

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 March 2020. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in June 2020.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 31 March 2020. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The annual financial statements of Scapa Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Segmental reporting

Business unit segments

The Group operates two standalone business units, Healthcare and Industrial, supported by a strategic Corporate function. All inter-segment transactions are made on an arm’s length basis.

The Board relies primarily on turnover and trading profit to assess the performance of the Group and makes 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 2020 are as follows:

	Healthcare £m	**Industrial £m**	**Head office £m**	**Group £m**
External revenue	**152.0**	**168.6**	**–**	**320.6**
Trading profit/(loss)	**13.7**	**19.5**	**(5.4)**	**27.8**
Amortisation of intangible assets	**(5.1)**	**(0.7)**	**–**	**(5.8)**
Exceptional items	**(70.1)**	**–**	**1.7**	**(68.4)**
Acquisition costs	**(0.2)**	**–**	**–**	**(0.2)**
Pension administration costs	**–**	**–**	**(0.7)**	**(0.7)**
Operating (loss)/profit	**(61.7)**	**18.8**	**(4.4)**	**(47.3)**
Net finance costs	**–**	**–**	**–**	**(3.7)**
Loss on ordinary activities before tax	**–**	**–**	**–**	**(51.0)**
Tax credit	**–**	**–**	**–**	**1.5**
Loss for the year	**–**	**–**	**–**	**(49.5)**

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

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2020	**141.0**	**140.3**	**24.6**	**14.7**	**320.6**
External revenue – 31 March 2019	128.8	145.7	22.4	14.9	311.8

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

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2020	**139.2**	**159.0**	**20.3**	**2.1**	**320.6**
External revenue – 31 March 2019	124.3	167.3	18.2	2.0	311.8

There are no single customers with greater than 10% share of the total Group revenue (2019: none).

The segment results for the year ended 31 March 2019 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	141.3	170.5	–	311.8
Trading profit/(loss)	20.9	22.3	(5.0)	38.2
Amortisation of intangible assets	(5.3)	(0.7)	–	(6.0)
Exceptional items	(11.3)	(0.5)	(1.0)	(12.8)
Acquisition costs	(2.0)	–	–	(2.0)
Pension administration costs	–	–	(0.6)	(0.6)
Operating profit/(loss)	2.3	21.1	(6.6)	16.8
Net finance costs	–	–	–	(1.9)
Profit on ordinary activities before tax	–	–	–	14.9
Tax charge	–	–	–	(6.7)
Profit for the year	–	–	–	8.2

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	141.3	170.5	–	311.8
Foreign exchange	4.1	1.3	–	5.4
External revenue at constant currency	145.4	171.8	–	317.2
Trading profit/(loss)	20.9	22.3	(5.0)	38.2
Foreign exchange	0.8	0.1	–	0.9
Trading profit/(loss) at constant currency	21.7	22.4	(5.0)	39.1

3. Segment assets and liabilities

The Board does not review assets and liabilities by business unit but by geographical area as reporting entity balance sheets cannot be split accurately by business unit. The assets and liabilities at 31 March 2020 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*	**67.6**	**89.9**	**2.1**	**0.6**	**160.2**
Inventory	**19.9**	**18.7**	**2.9**	**–**	**41.5**
Trade receivables – net	**23.9**	**31.8**	**2.4**	**–**	**58.1**
Trade payables	**(24.5)**	**(18.2)**	**(1.6)**	**(0.8)**	**(45.1)**
Cash	**6.4**	**4.9**	**2.8**	**2.2**	**16.3**
Additions of property, plant and equipment**	**11.2**	**3.8**	**1.0**	**0.5**	**16.5**

* Non-current assets excluding deferred tax assets

** Additions of property, plant and equipment excludes Right-of-Use assets and is included in non-current assets above

The assets and liabilities at 31 March 2019 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*	87.9	111.1	0.7	0.6	200.3
Inventory	23.1	20.3	2.5	–	45.9
Trade receivables – net	29.4	30.1	2.0	–	61.5
Trade payables	(25.4)	(16.5)	(1.2)	(1.0)	(44.1)
Cash	3.7	4.0	3.1	–	10.8
Additions of property, plant and equipment**	5.5	20.8	0.5	0.3	27.1

* Non-current assets excluding deferred tax assets

** Additions of property, plant and equipment included in non-current assets above

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

4. Operating profit

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

	2020 £m	2019 £m
Revenue	**320.6**	311.8
Materials and overheads	**(165.7)**	(155.1)
Factory costs (excluding employee costs)	**(30.0)**	(26.9)
Outward freight costs	**(7.2)**	(7.5)
Directors' and employees' costs	**(71.6)**	(68.7)
Depreciation of tangible fixed assets:		
– Owned assets	**(9.1)**	(7.6)
– Leased assets	**(2.8)**	(0.1)
Lease rentals:		
– Land and buildings	**(0.2)**	(3.2)
– Plant, machinery and other	**(0.3)**	(0.9)
Repairs and maintenance costs	**(4.0)**	(3.8)
Research and development costs (excluding employee costs)	**(1.7)**	(1.7)
Foreign exchange losses	**(0.6)**	(0.2)
Amortisation of other intangible assets	**(5.8)**	(5.6)
Amortisation of internally generated assets	**–**	(0.4)
Movement in inventory provision	**1.2**	(0.4)
Impairment (loss)/gain recognised in trade receivables	**(0.8)**	0.3
Exceptional items	**(68.4)**	(12.8)
Pension administration costs	**(0.7)**	(0.6)
Acquisition costs	**(0.2)**	(2.0)

The analysis of auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Audit fees – Parent Company	**102**	113
Audit fees – subsidiary undertakings	**335**	312
Taxation compliance services	**6**	6
Taxation advisory services	**–**	2
Other audit-related assurance services	**11**	11
Other non-audit services	**31**	31
	485	475

Total audit fees were £437,000 (2019: £425,000). Total non-audit fees payable to the auditor were £48,000 (2019: £50,000). Other non-audit services relate to remuneration advice.

5. Exceptional items

	2020 £m	2019 £m
Operating income:		
BioMed deferred consideration adjustment	**–**	6.8
Gain on pension scheme buy-out	**2.4**	–
Operating expenses:		
Loss of major contract	**(7.2)**	–
Site closure and reorganisation costs	**(8.0)**	(11.7)
Asset write-offs	**(0.3)**	(2.3)
Goodwill impairment	**(52.2)**	(4.6)
Intangible asset impairment	**(2.1)**	–
Pension GMP equalisation	**–**	(1.0)
Strategic review	**(0.7)**	–
Potential HSE penalty	**(0.3)**	–
	(68.4)	(12.8)

Exceptional operating income

An exceptional gain of £2.4m was booked as a result of the buy-out of one of the USA defined benefit pension schemes in March 2020.

The prior year exceptional operating income related to the release of deferred consideration due to the projected future performance of BioMed Laboratories LLC.

Exceptional operating expenses

The loss of the ConvaTec contract resulted in exceptional costs totalling £7.2m including the write-off of specific inventory of £4.6m, severance costs of £0.1m, legal costs of £1.0m and other costs of £1.5m.

Site closure and reorganisation costs of £8.0m includes £6.7m of costs for the closure of the Dunstable site which was finalised during the year along with the preparation for the closure of one of the sites in the USA to move into our new Knoxville facility which has been ongoing during the current year, with a further £0.7m for restructuring of the recently acquired Systagenix site and £0.6m relating to an aborted development contract.

On an annual basis the Group assesses the recoverability of all goodwill, intangible and asset balances. At 31 March 2020 the discounted cash flows for five sites did not support the goodwill associated with their acquisition resulting in an overall impairment of £54.6m (goodwill £52.2m, intangible assets £2.1m, fixed asset impairment £0.3m). Two of these impaired sites related to the loss of the ConvaTec contract (£9.0m goodwill write-down) with a further £46.5m of goodwill and intangible assets impaired as a result of the increased risk associated with the cash flow forecasts as assessed within the discount rate and the potential impact of the COVID-19 pandemic on the Group alongside a weaker financial performance for the BioMed site in Texas, which was acquired in March 2018.

Scapa UK Ltd has been charged under Section 2(1) of the Health and Safety at Work Act 1974. A guilty plea has been entered at Luton Magistrates' Court in respect of this offence and the financial penalty in relation to this offence will be determined in August 2020; we have created a provision of £0.3m in anticipation of the penalty.

The Board also undertook a strategic review of the Group during the year incurring one-off exceptional fees of £0.7m.

The prior year exceptional operating items included £11.7m for site closures and restructuring costs, £2.3m for asset write-offs as a result of these site closures and £4.6m of goodwill impairment for the Ramsbury site following delays and subsequent cancellation in a major customer product launch. Pension GMP equalisation costs of £1.0m were also recognised in the prior year following the Lloyds High Court case on the recognition of GMP in UK pension scheme liabilities.

6. Employee benefit expense

	2020 £m	2019 £m
Wages, salaries and other benefits	**60.6**	57.1
Social security costs	**6.3**	7.7
Share options granted to Directors and employees	**1.6**	1.0
Pension costs – defined contribution plans	**2.8**	2.7
Pension costs – defined benefit plans	**0.3**	0.2
	71.6	68.7
Gain on pension scheme buy-out (note 5)	**(2.4)**	–
Pension GMP equalisation (note 5)	**–**	1.0
	69.2	69.7

Average employee numbers	**2020**	2019
Europe	**908**	771
North America	**612**	654
Asia	**73**	63
	1,593	1,488

7. Finance costs

	2020	2019
Interest payable on bank loans and overdrafts	**(1.7)**	(1.4)
Interest income on pension scheme assets less interest on scheme liabilities	**(0.1)**	(0.5)
Discount on provisions	**(0.2)**	–
Lease interest	**(1.7)**	–
Net finance costs	**(3.7)**	(1.9)

8. Taxation

Income tax charge

	2020 £m	2019 £m
Current tax:		
Tax on trading profit – current year	**(2.9)**	(5.8)
Tax on trading profit – prior year	**(0.4)**	0.2
Tax on exceptional items	**–**	(0.7)
Total current tax	**(3.3)**	(6.3)
Deferred tax:		
Tax on trading profit – current year	**(3.2)**	(1.9)
Tax on trading profit – prior year	**(0.4)**	(0.2)
Tax on exceptional items	**8.4**	1.7
Total deferred tax	**4.8**	(0.4)
Tax charge on trading profit for the year	**(6.9)**	(7.7)
Tax credit on exceptional items for the year	**8.4**	1.0
Tax credit/(charge) for the year	**1.5**	(6.7)

The tax credit on non-trading items is restricted given a significant amount of costs attract no corresponding tax credit.

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

	2020 £m	2019 £m
(Loss)/profit on ordinary activities before tax	**(51.0)**	14.9
Tax credit/(charge) at 19% (2019: 19%)	**9.7**	(2.8)
Movements to unprovided deferred tax	**(1.4)**	0.3
Income not taxable and other deductions	**(0.2)**	–
Items not deductible for tax purposes and other taxable items	**(4.6)**	(2.3)
Change in tax rate	**–**	(0.1)
Effect of overseas tax rates being higher than UK tax rate	**(1.2)**	(1.8)
Adjustments in respect of prior years	**(0.8)**	–
Actual tax credit/(charge) for the year	**1.5**	(6.7)

A deferred tax rate of 19% has been applied to opening balances and movements in deferred tax in the year ended 31 March 2020 as the substantially enacted reduction in the UK corporation tax rate has been retracted in the Finance Bill 2020. There is no expiry date on timing difference, unused tax losses or tax credits.

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

	2020 £m	2019 £m
Deferred tax assets:		
– Losses	**3.7**	1.8
– Provisions and other temporary differences	**1.4**	1.1
– Retirement benefit liabilities	**1.8**	1.8
– Tax effect of intangibles	**4.1**	–
	11.0	4.7
Deferred tax liabilities:		
– Accelerated tax depreciation	**(2.8)**	(1.0)
– Other temporary differences	**(1.5)**	(1.0)
– Tax effect of goodwill and intangibles	**(3.3)**	(4.4)
	(7.6)	(6.4)

As required by IAS 12, deferred tax assets and liabilities may only be offset where they relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle the liabilities and assets on a net basis or simultaneously and are therefore presented on the Balance Sheet as follows:

	2020 £m	2019 £m
Deferred tax assets as above	**11.0**	4.7
– Deferred tax liabilities expect to be settled net	**(1.5)**	(0.4)
Deferred tax asset on the Balance Sheet	**9.5**	4.3
Deferred tax liabilities as above	**(7.6)**	(6.4)
– Deferred tax assets expect to be settled net	**1.5**	0.4
Deferred tax liability on the Balance Sheet	**(6.1)**	(6.0)

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

Movement in deferred tax	**2020 £m**	2019 £m
Beginning of the year	**(1.7)**	0.7
Exchange differences	**0.1**	(0.2)
Income Statement charge	**4.8**	(0.4)
Acquisitions	**(0.1)**	(1.3)
Deferred tax on actuarial gain	**0.3**	(0.5)
End of the year	**3.4**	(1.7)

At the Balance Sheet date, the Group has unused tax losses of £30.6m (2019: £28.5m) available for offset against future profits. A deferred tax asset has been recognised in respect of £18.5m (2019: £9.4m) of such losses, based on management forecasts of future taxable profits looking forward 3 years against which the assets can be recovered in the relevant jurisdictions. No deferred tax asset has been recognised in respect of the remaining £12.1m (2019: £19.1m) of such losses where there remains uncertainty over the timing of utilisation relating to future profitability. The majority of losses may be carried forward indefinitely.

Tax assets amounting to £10.1m (2019: £7.9m) 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	**2020 £m**	2019 £m
Accelerated capital allowances	**3.9**	3.5
Temporary differences	**3.7**	0.5
Pensions	**–**	–
Tax losses	**2.5**	3.9
Total	**10.1**	7.9

9. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 158,600,100 (2019: 158,386,377). Diluted earnings per share has been calculated including share options in existence at 31 March 2020.

Adjusted

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

	2020	2019
(Loss)/profit attributable to equity holders of the Company (£m)	**(49.5)**	8.2
Weighted average number of ordinary shares in issue (m)	**155.1**	154.1
Basic (loss)/earnings per share (p)	**(31.9)**	5.3
Weighted average number of shares in issue, including potentially dilutive shares (m)	**158.6**	158.4
Diluted (loss)/earnings per share (p)	**(31.2)**	5.2
Adjusted earnings per share (p)	**12.4**	18.9

10. Dividend per share

The Group does not propose a dividend for the year ended 31 March 2020 (2019: 2.9p) as a result of the uncertainty surrounding the global COVID-19 pandemic as the Group aims to further strengthen its Balance Sheet.

11. Acquisition of subsidiary

On 1 July 2019 First Water Ltd acquired 100% of the share capital of Crawford Manufacturing Ltd. Crawford is a manufacturer of advanced wound care products and was acquired to support the technology transfer activities of the Group. The company is based in Tarvin, Cheshire, UK.

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	0.4
Property, plant and machinery	0.5
Debtors and other assets	0.1
Inventory	0.3
Cash and cash equivalents	–
Deferred tax	(0.1)
Trade and other payables	(0.5)
	0.7
Goodwill	0.7
Total consideration	1.4
Satisfied by cash	1.4
Net cash outflow arising on acquisition	
Cash consideration	1.4

The goodwill and intangibles of £1.1m arising on consolidation from the acquisition do not give rise to any deductible amounts for tax purposes in the UK. Acquisition-related costs amounted to £0.1m. There was a further £0.1m of abortive acquisition costs incurred during the year to 31 March 2020 reported separately on the Income Statement together with the £0.1m of Crawford Manufacturing Ltd acquisition costs.

Following the acquisition of Crawford Manufacturing Ltd, a product line was discontinued and with these cash flows removed the subsequent IAS 36 impairment review resulted in a write-down of the goodwill by £0.7m to £Nil.

Crawford Manufacturing Ltd contributed £0.9m of revenue and £0.3m loss to Group profit between the date of acquisition and 31 March 2020.

On 1 October 2018 First Water Ltd acquired 100% of the share capital of Systagenix Wound Management Manufacturing Ltd. As at 31 March 2019 the Group reported the provisional net assets acquired.

As disclosed in the interim accounts, during the year to 31 March 2020 additional liabilities of £1.1m were identified within the hindsight period and the final acquisition balance sheet is reported below.

	Reported March 2019 £m	**Final March 2020 £m**
Net assets acquired		
Separately identifiable intangible assets	5.0	**5.0**
Property, plant and machinery	18.4	**18.4**
Debtors and other assets	3.3	**3.3**
Inventory	6.7	**6.7**
Cash and cash equivalents	1.7	**1.7**
Deferred tax	(1.3)	**(1.3)**
Trade and other payables	(4.4)	**(5.5)**
	29.4	**28.3**
Goodwill	40.4	**41.5**
Total consideration	69.8	**69.8**

12. Goodwill

	2020 £m	2019 £m
Cost		
1 April	**138.2**	90.9
Additions	**1.8**	41.5
Exchange differences	**5.2**	5.8
31 March	**145.2**	138.2
Accumulated amortisation and impairment		
1 April	**(29.9)**	(23.7)
Exchange differences	**(2.0)**	(1.6)
Impairment	**(52.2)**	(4.6)
31 March	**(84.1)**	(29.9)
Net book value at 31 March 2020	**61.1**	108.3

	As at 31 March 2020		As at 31 March 2019	
Arising in:	**£m**	**Discount rate**	£m	Discount rate
Acutek	**15.6**	**15.0%**	14.7	10.0%
BioMed	**–**	**15.0%**	13.9	10.0%
EuroMed	**17.6**	**15.0%**	16.7	10.0%
First Water	**2.1**	**15.0%**	2.1	10.0%
Markel	**1.3**	**16.4%**	4.5	10.0%
Systagenix	**13.24**	**15.0%**	40.4	10.0%
Webtec	**11.2**	**15.0%**	16.0	10.0%
	61.1		108.3	

In the year ended 31 March 2020, the carrying value of the Group's goodwill is not subject to annual amortisation and is tested for impairment at March 2020 in line with IAS 36. As a result of this impairment test the goodwill was impaired for Webtec by £5.5m, Markel Industries £3.4m, BioMed Laboratories £14.3m, Systagenix £28.2m and Crawford £0.7m.

The recoverable amount has been determined on a value in use basis on each cash-generating unit using the Board approved twelve-month forecasts for each cash-generating unit. Given the timing of the onset of the global COVID-19 pandemic, the Group's forecasts were also adjusted to reflect management's best estimate of the future impact on cash flows of the Group.

The base twelve-month projection, encompassing management's best estimate of the impact of COVID-19 on trade for each CGU, is inflated in year 2 to reflect 90% of the pre-COVID-19 budget for the year ending 31 March 2022. This is reflective of the management assessment of the recovery in trade post COVID-19 pandemic. Between year 2 and 5, the models are based on inflation between 0% and 3%, which management believes does not exceed the long-term average growth rate for the industry, and then is subject to a 0% to 1% growth and cost inflation through to year 20 with a terminal value calculated on a perpetuity basis.

These cash flows are discounted at a pre-tax discounting rate ranging between approximately 15.0% and 18.1% (2019: 10%), being the geographical and market-based discount rate assessed as being suitable for each cash-generating unit. The Group discount rates have significantly risen during the current year partly as a result of the macro economy given the uncertainty around Brexit and the impact of quantitative easing, the additional return anticipated from investors for taking on risk associated with a smaller company and the impact for the reduction in market capitalisation for the Group, plus an increase in the risk premium applied for the Group following the loss of a significant contract during the year.

The Group has conducted a sensitivity analysis on the impairment test based on high externally assessed pre-tax discount rates of approximately 17.0% to 20.1% which results in an additional impairment of £14.7m across the sites already impacted in the goodwill movements booked in March 2020. No additional cash-generating unit is impacted by this high level risk sensitivity.

However, the Board is confident that the discount rates applied are sufficiently risk adjusted and are confident of the future growth opportunities for these sites to support the carrying values of the cash-generating units and that no further impairment is required.

13. Other intangible assets

	Patents and development costs £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 2018	4.7	16.3	2.9	1.3	25.2
Exchange differences	0.2	0.7	–	0.1	1.0
Additions	0.1	–	–	–	0.1
Acquisition of subsidiary	–	5.0	–	–	5.0
31 March 2019	5.0	22.0	2.9	1.4	31.3
Exchange differences	0.2	0.7	–	–	0.9
Additions	–	–	–	–	–
Acquisition of subsidiary	–	0.4	–	–	0.4
31 March 2020	**5.2**	**23.1**	**2.9**	**1.4**	**32.6**
Amortisation					
1 April 2018	(2.4)	(7.9)	(2.8)	(1.1)	(14.2)
Exchange differences	(0.1)	(0.2)	–	–	(0.3)
Charge for the year	(1.2)	(4.6)	(0.1)	(0.1)	(6.0)
31 March 2019	(3.7)	(12.7)	(2.9)	(1.2)	(20.5)
Exchange differences	(0.2)	(0.4)	–	–	(0.6)
Charge for the year	(1.1)	(4.6)	–	(0.1)	(5.8)
Impairment	–	(2.3)	–	–	(2.3)
31 March 2020	**(5.0)**	**(20.0)**	**(2.9)**	**(1.3)**	**(29.2)**
Carrying amount					
31 March 2020	**0.2**	**3.1**	**–**	**0.1**	**3.4**
31 March 2019	1.3	9.3	–	0.2	10.8
Remaining useful economic life (years)	1–2	1–2	–	1–2	–

	As at 31 March 2020		As at 31 March 2019	
Arising in:	**£m**	**Discount rate**	£m	Discount rate
BioMed	**–**	**15.0%**	4.1	10.0%
Crawford	**0.3**	**16.2%**	–	–
EuroMed	**0.2**	**15.0%**	1.2	10.0%
First Water	**0.0**	**15.0%**	0.3	10.0%
Markel	**0.4**	**16.4%**	1.0	10.0%
Systagenix	**2.5**	**15.0%**	4.2	10.0%
	3.4		10.8	

As discussed in note 12 Goodwill, the IAS 36 impairment review has resulted in an impairment of intangibles for BioMed Laboratories (£2.1m). The intangibles of First Water Limited has been impaired due to the termination of a project (£0.2m).

14. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 2018	15.0	8.8	91.0	4.0	19.0	2.3	140.1
Exchange differences	0.3	0.1	1.7	–	0.3	0.1	2.5
Additions	13.2	0.7	4.8	0.4	0.2	7.8	27.1
Acquisition of subsidiary	8.2	–	8.9	0.4	0.8	0.1	18.4
Disposals	–	(0.1)	(2.1)	–	–	(0.1)	(2.3)
Transfers	0.3	–	1.2	0.1	–	(1.6)	–
31 March 2019	37.0	9.5	105.5	4.9	20.3	8.6	185.8
Exchange differences	1.2	0.1	2.4	0.1	0.2	0.2	4.2
Additions	2.4	0.2	8.6	0.5	0.2	4.6	16.5
Acquisition of subsidiary	–	–	0.2	0.1	–	–	0.3
Disposals	(0.1)	(1.6)	(11.9)	(0.9)	(2.1)	(0.3)	(16.9)
Transfer to Right-of-Use assets	(12.9)	–	(0.3)	–	–	–	(13.2)
Transfers	0.1	0.3	1.1	(0.1)	–	(1.4)	–
31 March 2020	**27.7**	**8.5**	**105.6**	**4.6**	**18.6**	**11.7**	**176.7**
Accumulated depreciation							
1 April 2018	(6.0)	(4.9)	(63.2)	(2.3)	(18.1)	–	(94.5)
Exchange differences	(0.2)	(0.1)	(1.1)	–	(0.2)	–	(1.6)
Depreciation	(0.9)	(0.4)	(5.6)	(0.3)	(0.5)	–	(7.7)
Impairment	–	(0.1)	(1.7)	(0.4)	(0.1)	–	(2.3)
Disposals	–	0.1	1.2	–	–	–	1.3
31 March 2019	(7.1)	(5.4)	(70.4)	(3.0)	(18.9)	–	(104.8)
Exchange differences	(0.2)	(0.1)	(1.6)	(0.1)	(0.2)	–	(2.2)
Depreciation	(1.1)	(0.4)	(6.8)	(0.4)	(0.4)	–	(9.1)
Impairment	(0.1)	(0.1)	(1.2)	–	–	–	(1.4)
Disposals	0.1	1.6	11.7	0.8	2.1	–	16.3
Transfer to Right-of-Use Depreciation	–	–	0.2	–	–	–	0.2
31 March 2020	**(8.4)**	**(4.4)**	**(68.1)**	**(2.7)**	**(17.4)**	**–**	**(101.0)**
Carrying amount							
31 March 2020	**19.3**	**4.1**	**37.5**	**1.9**	**1.2**	**11.7**	**75.7**
31 March 2019	29.9	4.1	35.1	1.9	1.4	8.6	81.0

The Group has not revalued any item of property, plant and equipment. Impairment of property, plant and equipment of £0.6m relates to the closure of sites in Korea (£0.4m) and the US (£0.2m), the loss of the ConvaTec contract of £0.5m and £0.3m for BioMed Laboratories as the forecasted cash flow did not support the asset value at 31 March 2020 (2019: £2.3m closure of UK site (£1.6m), US (£0.5m) and Korea (£0.2m)).

During the year ended 31 March 2019 there were no events or changes in circumstance that would indicate the carrying value of property, plant and equipment may not be recoverable.

15. Inventory

	2020 £m	2019 £m
Raw materials	**18.4**	18.3
Work in progress	**8.8**	13.7
Finished goods	**14.3**	13.9
	41.5	45.9

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £165.7m (2019: £155.1m).

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

16. Trade and other receivables

	2020 £m	2019 £m
Amounts due within one year		
Trade receivables	**61.5**	63.3
Less: provisions for impairment	**(3.4)**	(1.8)
Trade receivables – net	**58.1**	61.5
Other debtors	**1.4**	2.6
Prepayments and accrued income	**4.2**	5.1
Total amounts due within one year	**63.7**	69.2

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

	2020 **£m**	2019 £m
Pounds Sterling	**8.7**	15.6
US Dollars	**34.4**	31.9
Euros	**16.0**	17.2
Other	**4.6**	4.5
	63.7	69.2

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

	2020 **£m**	2019 £m
Less than one month	**2.7**	2.6
Between one and three months	**0.3**	0.6

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

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

	2020 **£m**	2019 £m
Opening provision at 1 April 2019	**1.8**	2.2
Charge/(release) for the year	**1.7**	(0.3)
Receivables written off in the year	**(0.1)**	(0.1)
Closing provision at 31 March 2020	**3.4**	1.8

Included in the impairment provision are individually impaired trade receivables with a gross balance of £3.4m (2019: £1.8m). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

Ageing of impaired trade receivables:

	2020 **£m**	2019 £m
Less than one month	**1.5**	–
Between one and three months	**0.2**	1.3
Greater than three months	**1.7**	0.5

The impairment of trade receivables relates to future expected credit losses based on current global economic factors.

17. Cash and cash equivalents

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

	2020 **£m**	2019 £m
Cash and cash equivalents	**16.3**	10.8

Includes restricted cash of £2.0m following the agreement with the UK Pension Trustee to defer the bi-annual CAR payment due in March 2020.

18. Trade and other payables

	2020 **£m**	2019 £m
Trade payables and trade accruals	**45.1**	44.1
Other taxes and social security	**3.2**	4.4
Other creditors	**8.5**	10.0
	56.8	58.5
Amounts due after more than one year		
Trade and other payables	**0.6**	0.6

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

	2020 £m	2019 £m
Amounts due within one year		
Pounds Sterling	**14.6**	16.6
US Dollars	**22.3**	20.4
Euros	**17.0**	18.4
Other	**2.9**	3.1
	56.8	58.5

	2020 £m	2019 £m
Amounts due after more than one year		
US Dollars	**0.5**	0.6
Euros	**0.1**	–
	0.6	0.6

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 84 days (2019: 88 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.

19. Borrowings

	2020 £m	2019 £m
Amounts due within one year		
Finance leases	**–**	12.1
Other loans	**0.1**	0.1
	0.1	12.2
Amounts due after more than one year		
Bank loan	**71.0**	54.7
Finance leases	**–**	0.1
	71.0	54.8
Total borrowings	**71.1**	67.0

In October 2017 the Group entered into a revolving credit facility (RCF) with a banking syndicate. The principal features of the facility are:

- the initial committed value of the facility is £70m;
- there is access to an accordion of £30m, of which £10m has been accessed;
- it is unsecured;
- it is repayable in October 2022;
- the interest payable on drawings under the loan is based on inter-bank interest plus a sliding scale margin determined by the Group's leverage – the margin is currently 1.35%; and
- the facility has two covenants – the ratio of EBITDA to interest paid must be above 4:1, and the ratio of EBITDA to net debt must be less than 3.0.
- during June 2020 a further £15.0m facility has been agreed which includes two additional covenants - minimum EBITDA and minimum liquidity.

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 2020 – Bank loans and overdrafts	**2.0%**
31 March 2019 – Bank loans and overdrafts	2.2%

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

	2020 £m	2019 £m
Pounds Sterling	**64.9**	43.1
US Dollars	**6.2**	23.9
	71.1	67.0

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 2020 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2019: £Nil).

The Group has the following undrawn borrowing facilities:

	2020 £m	2019 £m
Bank loan (committed)	**7.2**	15.3

20. Provisions

	Reorganisation and leasehold commitments £m	Contract liability £m	Environmental £m	Total £m
At 1 April 2019	14.4	32.2	0.1	46.7
Additions in the year	12.8	–	–	12.8
Release in the year	(0.7)	(7.2)	–	(7.9)
Utilised in the year	(17.6)	–	–	(17.6)
At 31 March 2020	**8.9**	**25.0**	**0.1**	**34.0**
Analysis of provisions:				
Current	6.3	7.2	0.1	13.6
Non-current	2.6	17.8	–	20.4
At 31 March 2020	**8.9**	**25.0**	**0.1**	**34.0**

	Reorganisation and leasehold commitments £m	Contract liability £m	Environmental £m	Total £m
At 1 April 2018	4.9	–	0.2	5.1
Additions in the year	12.8	35.8	–	48.6
Release in the year	(0.7)	(3.6)	–	(4.3)
Utilised in the year	(2.6)	–	(0.1)	(2.7)
At 31 March 2019	14.4	32.2	0.1	46.7
Analysis of provisions:				
Current	11.4	7.2	–	18.6
Non-current	3.0	25.0	0.1	28.1
At 31 March 2019	14.4	32.2	0.1	46.7

Reorganisation and leasehold commitments

The £8.9m (2019: £14.4m) reorganisation and leasehold commitments provision relates to dilapidations for leasehold property of £2.9m (2019: £2.3m), £0.1m (2019: £0.1m) in relation to reorganisation costs, £3.5m relating to site closures in the UK and the US, £2.1m relating to acquisition provisions for BioMed Laboratories LLC and Systagenix Wound Management Manufacturing Ltd and £0.3m relating to the potential HSE penalty. The expected utilisation of these provisions ranges between one and three years.

Contract liability provision

The £25.0m (2019: £32.2m) contract liability provision relates to the acquisition of Systagenix Wound Management Manufacturing Ltd in October 2018. This provision will be released on a straight-line basis over a five-year period, in line with the exclusive supply contract.

Environmental provisions

Environmental provisions relate to expected costs required to clean up environmental contamination on a Europe site of £0.1m (2019: £0.1m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next two years.

Tax provision

The tax provision totalling £2.1m relates to Group cross-party transactions which are expected to be utilised over a four-year period.

Contingent asset

On 10 July 2019, Scapa Tapes North America LLC filed a complaint against ConvaTec Inc in the state of Connecticut for breach of a material supply agreement alleging damages of $83.81m and a declaratory judgement requesting a court ruling that a non-compete provision in the agreement is legally impermissible. Scapa Tapes North America maintains its position robustly asserting its claim for breach of contract and declaratory judgement. Claims raised by ConvaTec Inc against Scapa Group plc and Scapa Tapes North America LLC in New Jersey have been dismissed. ConvaTec Inc has reasserted certain contract breach, declaratory judgment and other claims against Scapa Group plc and Scapa Tapes North America LLC in Connecticut in response to the complaint Scapa North America LLC files. No asset has been recognised in relation to this case on the grounds that recovery is not deemed virtually certain at this point in time.

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

All on continuing operations	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 £m
Operating (loss)/profit	**(47.3)**	16.8
Adjustments for:		
Depreciation and amortisation	**17.7**	13.7
Profit on disposal of land and buildings	**0.5**	–
Exceptional pension GMP equalisation	**–**	1.0
Impairment of tangible fixed assets	**1.4**	2.3
Impairment of goodwill	**52.2**	4.6
Impairment of intangible assets	**2.3**	–
Pension payments in excess of charge	**(1.6)**	(4.7)
Pension scheme buy-out	**(2.4)**	–
Share option charge	**1.6**	1.0
Changes in working capital:		
Inventories	**5.4**	(3.2)
Trade debtors	**5.0**	(4.7)
Trade creditors	**(0.1)**	2.0
Net movement in trading working capital	**10.3**	(5.9)
Net movement in other current debtors	**1.9**	(1.0)
Net movement in other current creditors	**(2.7)**	(4.6)
Net movement in deferred consideration	**–**	(6.8)
Net movement in environmental provisions	**–**	(0.1)
Net movement in reorganisation and leasehold commitment provisions	**(6.1)**	7.7
Net movement in contract liability provision	**(7.2)**	(3.6)
Cash generated from operations	**20.6**	20.4
Cash generated from operations before exceptional items	**37.7**	23.3
Cash outflows from exceptional items	**(17.1)**	(2.9)
Cash generated from operations	**20.6**	20.4

Analysis of cash and cash equivalents and borrowings

	At 1 April 2019 £m	Cash flow £m	Exchange movement £m	Non-cash movement £m	**At 31 March 2020 £m**
Cash and cash equivalents	10.8	5.2	0.3	–	**16.3**
Borrowings within one year	(12.2)	(0.6)	(0.3)	10.5	**(2.6)**
Borrowings after more than one year	(54.3)	(13.0)	(1.2)	(19.8)	**(88.3)**
Total borrowings	(66.5)	(13.6)	(1.5)	(9.3)	**(90.9)**
Total	(55.7)	(8.4)	(1.2)	(9.3)	**(74.6)**