RESILIENT
FOCUSED
INNOVATIVE

Scapa Group plc
Annual Report and Accounts 2020

SCAPA

Making a difference globally by manufacturing innovative Healthcare and Industrial solutions that improve lives every day

RESILIENT

At Scapa we are resilient. With an entrepreneurial mindset defining our culture, we are built to adapt and respond to change.

Read more on **page 05**

FOCUSED

At Scapa we are focused on people and purpose. We strive to ensure our culture is aligned to our strategy to create long-term value for all our stakeholders.

Read more on **page 06**

INNOVATIVE

At Scapa we work with customers and partners to design, develop and manufacture innovative solutions and products that improve lives every day.

Read more on **page 07**

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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 contract-specific exceptional costs of £7.2m associated with the loss of the ConvaTec contract and impairment of goodwill and intangible assets of £54.6m
- Adjusted net debt of £54.4m[2] (2019: £43.7m)

Watch our latest video at **scapa.com**

Scapa Group plc is the ultimate parent company for the global group of companies operating in the manufacture of bonding products and adhesive components for applications in the Healthcare and Industrial markets (collectively referred to herein as 'Scapa', 'Group' and 'Scapa Group')

FINANCIAL HIGHLIGHTS (STATUTORY MEASURES)

Group revenue (£m)

£320.6m

20	320.6
19	311.8
18	291.5
17	279.6
16	246.7

Operating (loss)/profit (£m)

(£47.3m)

20	(47.3)
19	16.8
18	34.5
17	29.2
16	21.3

(Loss)/profit before tax (£m)

(£51.0m)

20	(51.0)
19	14.9
18	28.8
17	21.8
16	9.8

Basic (loss)/earnings per share (p)

(31.9p)

20	(31.9)
19	5.3
18	15.4
17	11.6
16	4.1

Dividend (p)

Nil

20	Nil
19	2.9
18	2.4
17	2.0
16	1.75

Net debt (£m)

£74.6m

20	74.6
19	55.7
18	3.8
17	16.1
16	2.6

FINANCIAL HIGHLIGHTS (ADJUSTED MEASURES)

Trading profit (£m)[1]

£27.8m

20	27.8
19	38.2
18	34.5
17	29.2
16	21.3

Adjusted earnings per share (p)[3]

12.4p

20	12.4
19	18.9
18	18.2
17	14.8
16	10.6

Adjusted net debt (£m)[2]

£54.4m

20	54.4
19	43.7
18	3.8
17	16.1
16	2.6

1 Trading profit is before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension (see notes 1 and 4)

2 Adjusted net debt is cash and cash equivalents including restricted cash, net of borrowings and unamortised debt issue costs, excluding the impact of lease liabilities

3 Adjusted earnings per share using trading profit after tax and interest on bank borrowings

In order to monitor the performance of the Group on a consistent basis, the Group uses certain alternative performance measures which are defined on **page 40**

FOCUSING ON OUR BUSINESS

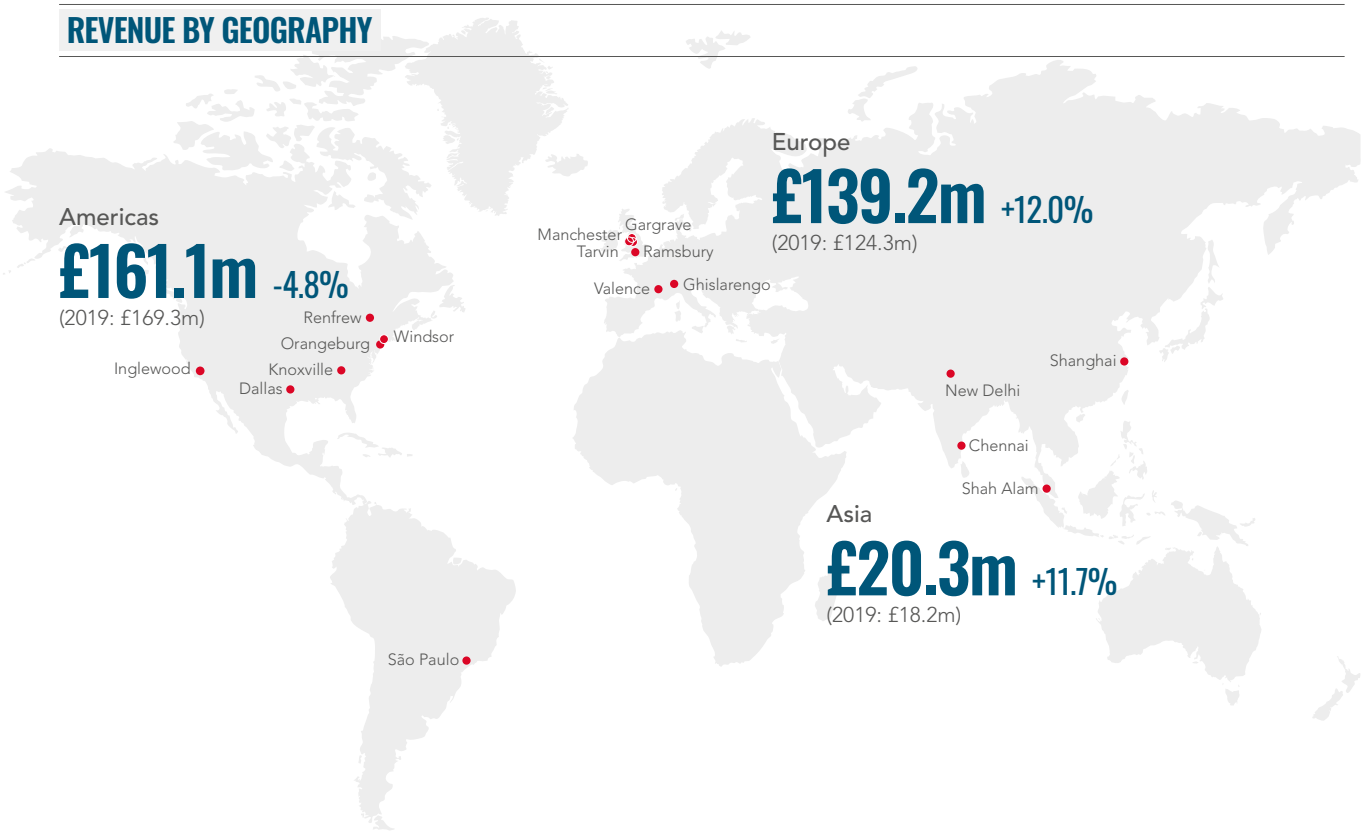
Scapa is a diversified Healthcare and Industrial group focused on bringing best-in-class innovation, design and manufacturing solutions to its customers.

Scapa has a market-leading depth of technical competence and expertise accrued with years of manufacturing experience.

Group revenue
£320.6m +2.8%
(2019: £311.8m)

Total trading profit
£27.8m -27.2%
(2019: £38.2m)

REVENUE BY GEOGRAPHY



OUR DIVISIONS

HEALTHCARE

Locations
8

Employees
806

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 market leaders to design, develop and manufacture innovative skin-friendly medical device fixation and topical solutions to improve people's lives.

- Our team of dedicated experts and full range of turn-key capabilities enable us to rapidly take a product from concept to market, from our state-of-the-art facilities, faster than many of our partners can do internally
- Our deep understanding of the markets we serve allows us to leverage our manufacturing, technology and development expertise to develop innovative solutions that allow our customers to succeed in the marketplace
- 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
- Through operational excellence, we remain focused on supporting healthcare companies to deliver long-term sustainable growth

Revenue
£152.0m +7.6%
(2019: £141.3m)

Trading profit
£13.7m -34.4%
(2019: £20.9m)

Read more on **pages 14 and 24–26**

INDUSTRIAL

Locations
9

Employees
655

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.

Our **Engineered Products** business provides solutions for global customers in the Automotive, Cable and Specialty segments where demand is driven by approvals, specifications, localisation and technical solutions.

Our **Commercial Products** business includes the Construction and Consumer segments, both market environments with shorter lead times within a demand-driven supply chain.

- Offering advanced material technology, Scapa develops in-house unique product solutions, leveraging a global supply network to deliver innovative products that meet the local and global needs of our customers
- Global footprint with multiple production sites in Asia, Europe and North America, to address regional customer needs across all of the industrial markets we serve
- Single source supplier offering manufacturing capabilities for technical tape and adhesive system solutions

Revenue
£168.6m -1.1%
(2019: £170.5m)

Trading profit
£19.5m -12.6%
(2019: £22.3m)

Read more on **pages 15 and 27–29**

WHAT SETS SCAPA APART?

CLEAR STRATEGY

Scapa has proven to be resilient by focusing on bringing best-in-class innovation, design and manufacturing solutions to its customers. We have a clear strategy for both businesses.

Find our Strategy on pages 20–21

DEFINED TARGET MARKETS

We have a deep understanding of our core markets so we can anticipate tomorrow's customer needs.

Read the Market Review on pages 14–15

EXPERIENCED LEADERSHIP TEAM

We have an experienced Leadership Team, with the right skills and expertise to drive the business forward.

Read about our Board of Directors on pages 50–51

STRONG R&D CAPABILITY

Our technology capabilities, continued investment in R&D and our IP portfolio enable our customers to succeed in dynamic markets.

Find our Business Model on pages 16–17

SIGNIFICANT GROWTH OPPORTUNITIES

With our technology transfer strategy in Healthcare and ongoing portfolio optimisation in Industrial, we are global market leaders.

Learn about our technology transfer strategy on page 11

FULL SERVICE PROVIDER

We provide a full range of services to our customers through our global footprint and broad product portfolio.

Find our Business Model on pages 16–17

At Scapa we are resilient. With an entrepreneurial mindset defining our culture, we are built to adapt and respond to change in the markets we serve and environments we operate in. We seize opportunities and meet challenges together to ensure continuity in our customer service. In response to COVID-19 our teams have demonstrated a determination and ability to adapt quickly and as a result Scapa Healthcare and Scapa Industrial have remained operational throughout the pandemic.

SCAPA IS...

RESILIENT

At Scapa we are focused on people and purpose. We strive to ensure our culture is aligned to our strategy to create long-term value for all our stakeholders. Employees understand what is expected of them in their role and feel valued and recognised for the part they play in Scapa's success. We will continue to focus on executing our strategy and responding to challenges in the markets we serve by utilising the talent and expertise we have within to maximise opportunities for growth.

SCAPA IS...

FOCUSED

SCAPA IS...

INNOVATIVE

At Scapa we work with customers and partners to design, develop and manufacture innovative solutions and products that improve lives every day. We empower teams across the world through our entrepreneurial culture, and inspire our creative, innovative thinkers by providing freedom to bring ideas to life.

EXECUTION OF STRATEGY UNDERPINNED BY THE SCAPA WAY

The execution of our strategy is reliant on our people and our entrepreneurial culture. It is this which has enabled us to adapt to the challenges and changes that we have had to face during the year.

Larry Pentz
Chairman

HIGHLIGHTS

- Continued to deliver on strategy despite challenging conditions
- Extraordinary response to COVID-19 pandemic
- Board continued to focus on a strong governance framework and as a result has made some changes to structure and composition

DEAR SHAREHOLDER

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 impairments.

The Group ended the year with an adjusted net debt of £54.4m[3] (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

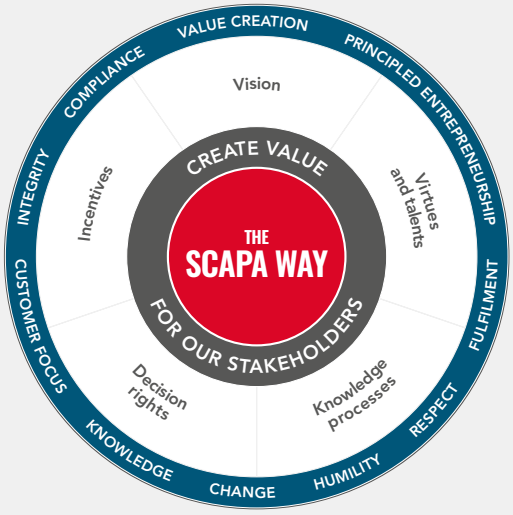
The Board has continued to focus on a strong governance framework, ensuring that internal controls, values and culture align with our strategy. Our Corporate Governance Report can be found on pages 49 to 58.

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.

We continue to drive an entrepreneurial culture across our business through The Scapa Way, our global programme that sets the guidelines to create a work environment where people can take ownership for their work and create value for our stakeholders in a principled way.

We understand the value of recognition and that is why we continue to drive the Living our Guiding Principles recognition scheme throughout the business. This programme encourages all employees to recognise peers and teams for demonstrating behaviours aligned to The Scapa Way.



Read more on page 43

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 as referenced in Provisions note 24

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

3 Excluding lease liabilities

WE HAVE PROVEN TO BE RESILIENT, FOCUSED AND INNOVATIVE

Our entrepreneurial culture and the adaptability and resilience of our people drives our ability to focus on bringing best-in-class innovation, design and manufacturing solutions to our customers, which is what sets us apart.

Heejae Chae
Group Chief Executive

HIGHLIGHTS

- Good progress made on our Healthcare transformation strategy
- Industrial business stable
- Record revenues delivered despite loss of ConvaTec contract
- Recent equity raise, debt renegotiation and COVID-19 action plan will provide Scapa with sufficient working capital and liquidity to withstand financial impact of pandemic and provide flexibility to capitalise on potential opportunities
- The benefits of The Scapa Way and our Ten Guiding Principles allowed us to end the year resilient, focused and determined to find innovative solutions for our customers

DEAR SHAREHOLDER

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.

OUR TECHNOLOGY TRANSFER STRATEGY

Through our M&A, technology transfer strategies and self-help programmes, we are continuously focused on seeking synergies that strengthen our value creation and enable the business to thrive.

What are technology transfers?

A technology transfer is a transaction where we agree to manufacture a portfolio of products usually defined by a range of brands or product sets for a number of years, typically five. The manufacturing agreement would also include a development framework for the next generation of products. Depending on the technology requirement, we would acquire the equipment, people and/or sites to manufacture the products. Ideally we would consolidate the production into our existing sites. The economics of the transaction are dependent on the terms of the manufacturing agreement and the value of the assets that we would need to acquire to fulfil the agreement.

What are the benefits of technology transfers?

Technology transfers strengthen the partnership with our customers, allowing us to become further integrated with them and enabling us to share in their growth. For customers, the technology transfers support their strategy to shift to an asset-light model from the traditional integrated model. Working with Scapa allows them to minimise the risks by partnering with a supplier who has a deep understanding of their requirements and standards. Equally, it provides an opportunity for Scapa to grow and acquire new technologies and capabilities. The structure allows us to acquire the revenue and assets with less upfront capital than a traditional acquisition.

Markets continued

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.

H R Chae
Group Chief Executive
23 June 2020

Q&A

How would you summarise Scapa's performance during FY20? What is the outlook for FY21?

Overall, 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.

While FY20 experienced minimal impact from the COVID-19 pandemic, in FY21 we expect a period where revenues will be substantially impacted. We expect this particularly in Q1 FY21 and in early Q2 FY21, before returning to more normal levels and in line with our pre-COVID-19 budget from Q3 FY21 onwards.

How has Scapa responded to the ongoing COVID-19 outbreak?

We implemented strict health and safety measures to ensure that any employee concerns were addressed and we safeguarded their wellbeing. 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.

Where do you now see the future growth opportunities in Healthcare?

We believe a number of further opportunities will arise in Healthcare. Postponed elective surgeries will be carried out and the currently reduced healthcare consumer spending should return towards more normal levels once the current restrictions are lifted. Many healthcare companies will review their extended supply chains, particularly in Asia, which should benefit Scapa as those companies look to onshore their supply chain. An increase in technology transfer opportunities is expected as companies look to streamline their footprints and product portfolios, to minimise cash expenditure and to increase outsourcing in order to leverage partners' resources. It is also expected that there will be an increase in M&A opportunities at more attractive valuations than those experienced recently.

What are your current priorities?

We need to ensure that all our COVID-19 action plan items are implemented.

Our Healthcare business is currently in the midst of an ambitious transformation, with most of the footprint consolidation complete. We need to focus on profitability by ensuring we have the correct cost structure, fill our factories through a combination of organic and inorganic growth, and in the medium to long-term expand beyond skin technology such as surgical, transdermal and potentially pain management.

Our Industrial business is a stable one but we will focus on our self-help agenda, seek to improve margin and cash positions and become more nimble and efficient.

What environmental, social and governance initiatives do you have in place?

Our strategy is underpinned by our people and our entrepreneurial culture which enable us to adapt to the many changes and challenges we face. We continue to drive employee engagement through a number of initiatives. We also continue to create value in our communities by finding new ways to support local initiatives, ensure the highest health and safety standards, recognise the importance of our environmental stewardship, reinforce a robust framework of corporate responsibility and sustainability in our supply chain and respect human rights.

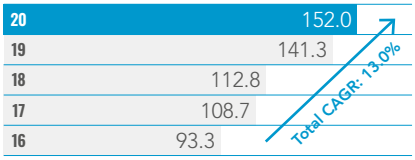
SIGNIFICANT OPPORTUNITIES FOR GROWTH

Scapa is a diversified Healthcare and Industrial group focused on bringing best-in-class innovation, design and manufacturing solutions to its customers. Each of the business units has a strategy specific to its market situation and we foresee significant opportunities for growth.

MARKET TREND

Healthcare revenue (£m)

£152.0m



Healthcare companies remain committed to their core business by focusing on their branding, marketing and distribution channels while utilising outsource co-development partners as a more efficient means to innovate their brands. Outsource partners are asked not only to deliver differentiated solutions with shortened development times, but also to support their partners with regulatory and quality functions throughout the product life cycle.

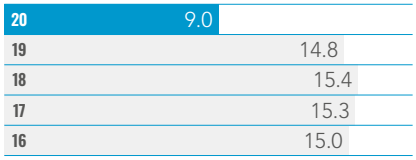
Our response

Scapa Healthcare's growth strategy is focused on acquiring differentiated technologies and solutions that enhance not only our capabilities, but also our intellectual talent including R&D, engineering, project management, regulatory and quality. Through our acquisitions and technology transfers, we have strengthened our value proposition as a leading outsource partner with a full range of services including a dedicated innovation team; custom formulations and compounding; analytical and microbiology laboratories; sterilisation services; and quality and regulatory expertise. We are well equipped to capitalise on the outsource trend supporting our customers from concept to commercialisation. Our ability to deliver differentiated solutions to market faster gives our customers a sustainable competitive advantage in the marketplace.

MARKET TREND

Healthcare trading margin (%)

9.0%



The effect that the COVID-19 pandemic has had on healthcare providers and services continues to be significant as the disease rapidly spreads across the globe. Outpatient services have been dramatically disrupted and hospitals have been forced to suspend all non-urgent, in-person medical services in order to protect healthcare personnel and conserve supplies to treat those infected with COVID-19. Patients with existing chronic diseases have faced increased challenges during this pandemic as they rely on proper management of their conditions in order to stay out of the hospitals. Healthcare providers are finding ways to ensure these patients have access to the supplies and services they need to continue with their daily lives.

Our response

Scapa Healthcare remains resilient during this pandemic as we recognise the importance our products have in the management of chronic conditions. As a leading manufacturer of skin contact solutions for advanced wound care, medical device fixation and consumer wellness, we understand that those patients with chronic conditions rely on us to improve the quality of their daily lives. Whilst we expect an initial downturn in financial performance during early FY21, as consumer demand for disinfecting and skin care solutions intensifies during and after this pandemic, we foresee increasing opportunities for growth with our partners in the professional and consumer segments.

MARKET TREND

Industrial revenue (£m)

£168.6m

Across the industrial ecosphere, there is an ongoing acceleration in demand for real-time access to product information and compliance along with the ability to make strong strategic buying decisions. Our teams are working to accommodate business needs with increased pressure for immediate responses 24/7, whether relating to product certifications for construction, product availability for hockey, OEM qualifications for automotive, or the best technical solutions for composite assembly in specialty products.

Our response

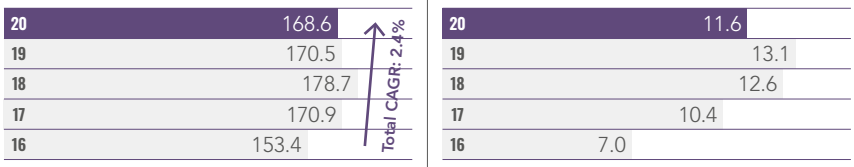
Scapa Industrial spent FY20 integrating commercial IT systems and strategy with our content and product offering to deliver an enhanced front-end customer experience. Through an internally built-for-purpose mobile application, our commercial teams gained real-time data on account performance and the potential to increase customer conversion rates with real-time data. In addition, this allowed us to significantly improve our digital footprint by integrating our E-Portal, Industrial website and Grasp mobile applications. This included the launch of a new search functionality that covered Scapa's 480+ product family through a live database delivering real-time recommendations to reflect customer design and development requirements.

The combination of a multi-language, multi-market e-marketing foundation that can develop and launch campaigns in less than 48 hours, and improvements in Scapa Industrial's digital presence enabled the business unit to quintuple qualified lead generation and add 3% in new revenue.

MARKET TREND

Industrial trading margin (%)

11.6%



The COVID-19 pandemic has had an immediate impact across all Scapa Industrial businesses. All sectors either saw their operations dramatically curtailed or their business needs change to adapt to new market requirements.

Our response

Leveraging our new digital infrastructure, Scapa Industrial was able to effectively communicate and engage our global customer base on operational status, order management and opportunities to support their ongoing business and protect their employees. Within the same week as the commencement of quarantines in Europe and North America, Scapa Industrial had developed and launched over ten targeted COVID-19 communications, repositioned 25+ products and adapted order processing for impacted customers. There have been many accomplishments from this focused effort and activity across our Industrial facilities; we have helped our Automotive customers provide safety marking in their plants at start-up, enabled our industrial manufacturing accounts to transition into PPE, shielding and containment production, and given our Cable partners immediate access to localised supply for emerging telecommunication needs. We have also supported the wider community by donating hundreds of Barnier® gloves and wipes to local healthcare and essential services.

DRIVING THE BUSINESS FORWARD

We have a deep understanding of our core markets, a clear strategy for each business unit and a Leadership Team with the right skills and experience to drive the business forward.

RESOURCES AND RELATIONSHIPS

Financial discipline
Through a strong financial discipline, Scapa Group focuses on increasing margins by seeking operational efficiencies.

Strategic assets
We see an opportunity to leverage the operational excellence capabilities that we have gained in our self-help journey, to focus on efficiency and asset utilisation.

Partnerships
We believe in partnerships that deliver strong returns for all the parties involved. Working closely with our customers allows us to develop innovative products in the most cost-effective way.

Employees
Our people are dedicated to making the business stronger. We invest in the development of our employees and build an entrepreneurial culture to drive success.

Synergies
Through our M&A, technology transfer strategies and self-help programmes, we are continuously focused on seeking synergies that strengthen our value creation and enable the business to thrive.

THE SCAPA WAY

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.

Target segments
- Advanced Wound Care
- Consumer Wellness
- Medical Device Fixation

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.

Target segments
- Automotive
- Construction
- Specialty
- Cable
- Consumer

Our goal
To expand our addressable market by enhancing our value chain and technologies.

How we will succeed
We will partner with our customers to continue to drive technology transfers, become an integrated part of their product life cycles and build a platform to play across the full outsourced spectrum.

CHALLENGE THE STATUS QUO

CHALLENGE OURSELVES

CHALLENGE SUFFICIENCY

SHAREHOLDERS
Continue to drive overall profitability and create value.

CUSTOMERS
Continue to increase customer satisfaction by increasing the number of orders that do not lead to a complaint, ensuring delivery of quality products/services.

EMPLOYEES
Continue to protect our people by focusing on health, safety and wellbeing and continue to strengthen employee engagement.

COMMUNITIES
Continue to create value in our local communities and find new ways of supporting local initiatives.

SUPPLIERS
We work with our valued network of suppliers to balance economical requirements with environmental, social and ethical considerations.

Read more about our stakeholders on pages 18–19

Our goal
To grow and gain market share in the niche markets where we have a competitive advantage and also focus on our self-help agenda, seek to improve margin and cash positions, and become more nimble and efficient.

How we will succeed
We will concentrate on core markets with differentiated application solutions, increasing revenue to our key customers by introducing additional products and technologies, as well as pursuing cross-selling opportunities in adjacent markets. We will also continue to drive our return on capital employed by focusing on cost-outs and efficiencies.

THE IMPORTANCE OF ENGAGING WITH OUR STAKEHOLDERS

Our stakeholders help to shape our strategy and are critical to our success. We adopt a tailored approach in how we engage to ensure we manage expectations and promote trust and transparency across all our activities with a view to promoting mutually beneficial relationships.

Understanding our stakeholders enables the Board in performing its duty under s172 of the Companies Act 2006, to consider and discuss each stakeholder group's interests and concerns and the potential impact of any Board decision on stakeholder groups. Stakeholder interests are considered by the Board through a combination of the following; Executive Directors' reports, EHS reports, employee engagement survey results, and customer and supplier feedback.

As confirmed in the Corporate Governance Report, the Board has appointed Dr Tim Miller as the Designated Non-Executive Director for Employee Engagement and a global programme has commenced which will be rolled out across the business. Dr Miller will provide feedback to the Board following employee engagement forum meetings.

Investor feedback is shared with the Board at least twice a year and includes analyst reports and updates from our corporate PR adviser. Environmental and social factors are considered prior to and when executing strategy.

Summarised opposite is a description of how and why we engage with our main stakeholders together with their key interests.

SHAREHOLDERS

We create value for shareholders by delivering sustainable growth. We engage regularly with shareholders through a planned programme of investor relation activities to ensure that our strategy and market trends are clearly understood. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and forms part of its decision-making. In certain circumstances it is necessary for the Board to engage with shareholders on specific issues and an example of this can be found on page 67.

Why we engage

- We want to ensure that our strategy and market trends are clearly understood
- To explain how we aim to deliver sustainable growth and create value

How we engage

- Corporate website investor relations section
- AGM, Annual Report, trading updates and result presentations
- Press releases
- Analyst briefings
- Investor roadshows with current and prospective shareholders
- Site visits
- Meetings/consultation with shareholders on relevant matters

Stakeholder areas of interest

- Governance and transparency of Company vision and our strategy for growth
- Dividend policy and shareholder return

CUSTOMERS

As a global Healthcare and Industrial group we innovate, design and manufacture solutions for customers worldwide. We engage with our customers strengthening our understanding of their needs and the core markets we serve. We use our wealth of expertise and knowledge to support their requirements today and tomorrow. Updates and feedback from customers are regularly reported to the Board in respect of each BU. This provides the Board with specific and general market intelligence, together with any potential impact or opportunities for the business. Examples of engagement with customers can be found on pages 26 and 29.

Why we engage

- To understand and exceed customer expectations – delivering focused solutions that can meet the diverse and changing requirements of our global base
- To drive continuous improvement in customer service, by responding to feedback and changes in the wider industrial and healthcare markets we serve

How we engage

- Regular one-to-one interactions and meetings
- Industry exhibitions, customer site tours and presentations
- Business unit websites
- LinkedIn communications
- Digital marketing campaigns

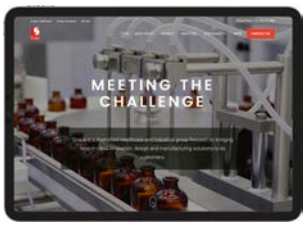
Stakeholder areas of interest

- Customer service/quality standards and compliance
- Continuous improvement in customer experience
- Research and development opportunities

Read more about sustainability from page 42

Read more about corporate governance from page 49

Find our Section 172 Report on page 58



Stay up to date at scapa.com

EMPLOYEES

Creating value for our customers relies on the quality of the services and products that we provide, and the skills and knowledge of our employees. To deliver our strategy we encourage employees to strive to exceed expectations and to challenge the status quo using the entrepreneurial mindset that is central to The Scapa Way. We appreciate the value of diversity and recognise the resilience, focus and innovation that our employees all over the world demonstrate on a daily basis.

Feedback from the employee engagement survey was presented to the Board, which assisted in its understanding and ability to ensure the alignment of culture and strategy. As part of the actions determined, the CEO Town Hall programme was commenced, further details of which are referred to on page 42. In addition the Board determined its mechanism of employee engagement and this was formalised by the appointment of a designated NED at the start of FY21.

Why we engage

- To ensure alignment of our culture and strategy
- To create a diverse and inclusive workplace where every employee can demonstrate entrepreneurship and reach their full potential
- To ensure we deliver and make the right business decisions, which in turn means we retain and develop the best talent

How we engage

- Global Employee Engagement Survey
- Leadership communication and events
- Site communications, town-halls, briefings, news bulletins
- CEO Awards recognition programme
- Living the Guiding Principles Awards scheme
- Training, development and wellbeing initiatives
- Employee performance reviews
- Scapa Code of Conduct training connecting The Scapa Way and our values to individual roles

Stakeholder areas of interest

- Reward and recognition
- Internal communication
- Employee wellbeing
- Diversity and inclusion
- Personal development and sense of belonging
- Transparency of information
- Reputation management

COMMUNITIES

With a global footprint we want to create value in the local communities in which we operate, and continuously find new ways to support them. Information on environmental issues is considered by the Board and, in particular, assists when considering M&A. Examples of a number of programmes demonstrating the application of our culture and values together with engagement in the communities can be found on pages 44 and 45.

Why we engage

- We are committed to building positive relationships in the communities we operate in across our global locations

How we engage

- We support a range of local initiatives that provide employees with opportunities to give back to their local communities
- Through our charitable donations and sponsorship framework we give responsibly, aligned to our Ten Guiding Principles
- Community outreach programmes

Stakeholder areas of interest

- Sustainability and diversity
- Corporate social responsibility

Read more about our charitable giving and community support initiatives in our Sustainability Report from page 42

SUPPLIERS

Our global network of innovative, reliable and flexible suppliers is critical to ensuring we can meet the needs of our customers. We work with our suppliers to balance economical requirements with environmental, social and ethical considerations. Information relating to the Group's supply chain is used by the Board to ensure that, in addition to business needs, social and ethical requirements are also being met.

Why we engage

- To meet the needs of our customers, ensuring and maintaining high quality materials and resources
- To ensure high supplier standards both ethical and otherwise
- To ensure compliance with our Code of Conduct and our supply chain best practices

How we engage

- Regular communication
- Regular evaluation of quality, service and performance using 'SPIRE' (Supplier Performance Improvement and Requirements Evaluation) procedures and best practice methods
- Evaluating performance against Scapa's corporate social responsibility expectations
- Formal tenders, trade forums and innovation workshops
- Supply chain risk mapping, supplier management tools and regular audits

Stakeholder areas of interest

- Demand and quality criteria
- Sustainability
- Satisfaction/reputation
- Corporate social responsibility expectations

OUR STRATEGY FOR GROWTH

Scapa is well placed to capitalise on its strong market position, trusted partner status and ability to quickly support its customers.

CHALLENGE THE STATUS QUO

The healthcare industry is undergoing significant change, particularly following the COVID-19 pandemic when many healthcare providers have indicated a need to onshore. We have an opportunity to be a disruptive force in the market to provide a solution to our customers. Our goal is to expand our addressable market by enhancing our value chain and technologies. We will partner with our customers to continue to drive the technology transfers as well as onshoring the extended supply chain.

CHALLENGE OURSELVES

Our strategy is underpinned by our people and our entrepreneurial culture which enable us to adapt to the many changes and challenges we face. The Scapa Way and our Ten Guiding Principles ensure that we will continue to focus on value creation. We must continue to ensure that our people are aligned with an entrepreneurial mindset.

CHALLENGE SUFFICIENCY

We believe that the industrial pressure sensitive material market is significant but mature, inefficient and complacent. As one of the largest and few companies with a global footprint, we have the potential to grow and gain market share. We will continue to concentrate on core markets, using our 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 our Industrial business.

We measure our progress with key performance indicators, which you can find on pages 22–23

Read more about risk management from page 30

PRIORITIES FOR 2019/20

We aimed to:

- drive our turn-key solutions pipeline, utilising our significant R&D resources;
- identify opportunities beyond adhesives by leveraging and further investing in BioMed;
- increase efficiencies through footprint consolidation; and
- complete additional tech transfers.

PROGRESS IN 2019/20

We have:

- delivered over 100 programmes in the development pipeline, many of which are expected to come to market in the near to medium term;
- continued to develop product and service opportunities beyond adhesives from BioMed and Gargrave;
- completed the Dunstable and Inglewood consolidation into Gargrave and Knoxville; and
- completed tech transfers with two existing leading consumer healthcare customers.

PRIORITIES FOR 2020/21

We aim to:

- continue to drive NPD and deliver organic growth;
- focus on customers' full supply chain and onshoring opportunities;
- expand and strengthen our current capabilities; and
- finalise footprint consolidation and drive operational efficiencies.

We aimed to:

- continue to reinforce The Scapa Way and the Ten Guiding Principles;
- follow up on the results of the all-employee survey; and
- ensure succession planning is adequately in place throughout the organisation, investing in people, training and systems where necessary.

We have:

- held multiple town-hall and other meetings to increase the engagement with our employees and reinforce The Scapa Way;
- analysed the results of the employee survey and the Executive Team has started developing and executing action plans to address the main aspects; and
- continued to work on succession planning.

We aim to:

- build on the The Scapa Way to ensure that we continue to focus on value creation underpinned by integrity and compliance;
- undertake annual employee engagement surveys providing updates to the workforce on actions taken;
- further enhance engagement within the workforce with the newly-appointed Designated NED for Employee Engagement; and
- continue to invest in people, training and systems where necessary.

We aimed to:

- continue to focus on enhancing our commercial capabilities to further improve market share gains with new and existing customers;
- deliver operational synergies from Markel; and
- continue to leverage the strategic relationships and favourable macro trends to focus on growth.

We have:

- delivered improved asset utilisation in the Industrial business unit;
- continued to focus on optimising our production facilities; and
- achieved double-digit revenue growth in Asia, mid-single-digit growth in Cable and 5% growth from Polyflex® PE products.

We aim to:

- continue to introduce additional products and new technologies to our current customers, coupled with cross-selling opportunities;
- continue using our global R&D team to identify, develop and commercialise market-need driven technologies;
- reduce and standardise SKUs; and
- focus on e-commerce.

MEASURING OUR STRATEGIC OBJECTIVES

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

LINK TO STRATEGIC PRIORITIES

1 Challenge the Status Quo

2 Challenge Ourselves

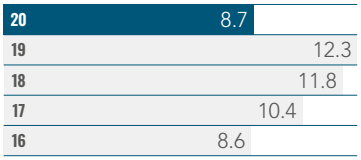
3 Challenge Sufficiency

Find our Strategy on pages 20–21

FINANCIAL MEASURES

Return on sales (%)

8.7% 1 2 3



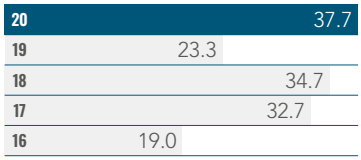
Definition Return on sales is trading profit as a percentage of statutory revenue.

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

Why we measure Assess whether growth is sustainable and profitable.

Underlying cash flow from operations (£m)

£37.7m 1 2 3



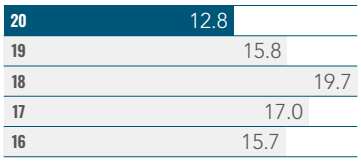
Definition Underlying cash flow is calculated using the cash from operations and adjusting for exceptional items.

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

Why we measure Track the ongoing availability of cash for investment back into the Group and support quality of earnings.

Adjusted return on capital employed (%)

12.8% 1 2 3



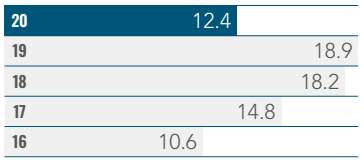
Definition Adjusted ROCE is defined as trading profit divided by the capital employed (equity plus long-term liabilities).

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

Why we measure Monitor value created from investments and focus on efficient use of our assets.

Adjusted earnings per share (p)

12.4p 1 2 3



Definition Adjusted earnings per share (EPS) 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.

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

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

Revenue growth (%)

2.8% 1 2 3

20	2.8
19	7.0
18	4.3
17	13.3
16	4.5

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

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

Why we measure Track the relative performance of our growth.

Capital expenditure (£m)

£16.5m 1 2 3

20	16.5
19	10.7
18	6.4
17	8.3
16	9.7

Definition Purchase of property, plant and equipment in the year, and right-of-use assets excluding acquisitions.

Commentary To enable the Group to continue to grow and improve customer satisfaction, Scapa invests in maintaining and improving its existing plants and facilities. Capital expenditure is an indicator of investment in production capacity and development. A significant proportion of 2020 expenditure relates to investment in the Gargrave facility. 2019 restated following IFRS 16 impact for Knoxville finance lease.

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

NON-FINANCIAL MEASURES

Customer satisfaction per order (%)

97.7% 1 2 3

20	97.7
19	97.6
18	97.4
17	97.4
16	97.5

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

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

Why we measure Track the performance in customer relationships.

Service performance (%)

79.1% 1 2 3

20	79.1
19	81.0
18	81.3
17	87.1
16	87.2

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

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

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

Lost Time Accident Frequency Rate (LTAFR)

0.27 1 2 3

20	0.27
19	0.63
18	0.97
17	1.03
16	1.59

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

Commentary We maintain that zero accidents/incidents is the ultimate goal in Environmental, Health and Safety (EHS) excellence and we will continue to strive for this in both lost time accidents and lost days. This measure indicates the Group performance in reducing accidents and improving health and safety for our employees.

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

Capacity utilisation (%)

45.4% 1 2 3

20	45.4
19	49.8
18	67.3
17	62.6
16	61.5

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

Commentary Managing capacity allows us to be responsive to customer needs by balancing cost efficiency and flexibility of production. We can simplify engagement with our customers by offering a balanced portfolio of available capacity across the globe. Gargrave's low utilisation has impacted overall production as has the loss of the ConvaTec contract in Knoxville.

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

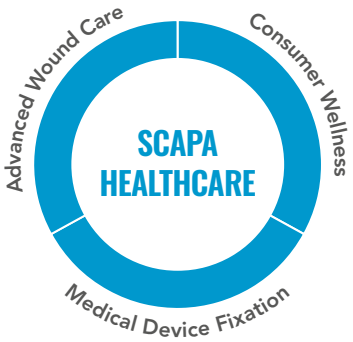
WE CONTINUE TO STRENGTHEN OUR POSITION AS THE PREFERRED STRATEGIC OUTSOURCE PARTNER

HIGHLIGHTS

- Completed consolidation of Inglewood facility into new built-for-purpose Knoxville manufacturing site, allowing for greater operational efficiencies through proximity and scale
- Completed closure of Dunstable facility and transfer of appropriate assets to Gargrave site enhancing Gargrave's value proposition by offering adhesive coating capabilities to our customers
- Successfully completed transfer of manufacturing equipment and technology for a leading consumer healthcare brand product family into Knoxville facility to support its operational optimisation plan and product innovation
- Secured and completed technology transfer with existing customer to relocate its manufacturing equipment into our Knoxville facility for an additional line of products through a multi-year exclusive manufacturing agreement
- Leveraged our manufacturing, technology and development expertise to enhance our product pipeline across all market segments to support our organic growth strategy and deliver innovative solutions to our customers

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.



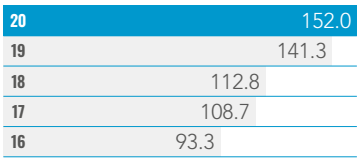
Through innovation, expertise and alignment of our core values, we support leading healthcare companies through their growth challenges by developing and manufacturing innovative skin friendly fixation devices and topical skin care solutions. We continue to focus on supporting healthcare companies through 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.

HIGHLIGHTS

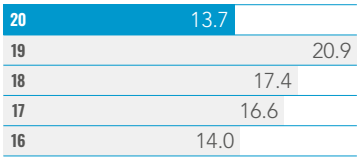
Healthcare revenue (£m)[1]

£152.0m



Healthcare trading profit (£m)[1]

£13.7m



1 On a continuing basis revenue is £144.7m and trading profit is £6.4m

THE MARKETS WE SERVE

Advanced Wound Care

Consumer Wellness

Medical Device Fixation

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.

Strategy continued

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.

LEVERAGING OUR MANUFACTURING CAPABILITIES TO RAPIDLY SUPPORT THE COVID-19 PANDEMIC

The problem: In response to the unprecedented demand for alcohol-based sanitisers during the public health emergency (COVID-19), the FDA released temporary guidance allowing certain entities that are not currently regulated by the FDA as drug manufacturers to prepare and distribute hand sanitiser products for public use.

Our solution: After carefully reviewing all of our Scapa Healthcare manufacturing sites, it was decided to leverage our current Windsor, Connecticut, facility's infrastructure for handling alcohol products to temporarily support the production of alcohol-based hand sanitisers. Despite liquid product manufacturing not being Windor's core competency, Scapa provides an uncompromising focus on quality and regulatory expertise across its operations. The site operations team was therefore able to rapidly register the site with the FDA and obtain the required regulatory licences to start production as quickly as possible.

The team was also able to leverage Scapa Healthcare's global supply chain to expedite the purchasing of all necessary raw materials. The full operation was up and running in a matter of weeks.

Scapa Healthcare continues to look for creative ways to leverage our capabilities to support our global healthcare partners with urgently needed medical products during this global healthcare crisis.

Stay up to date at **scapahealthcare.com**

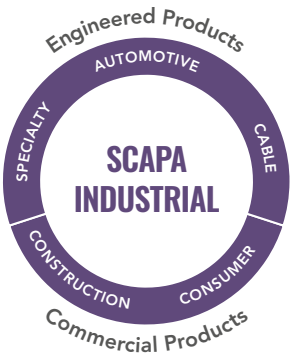
SCAPA INDUSTRIAL COMMITTED TO OPERATIONAL EXCELLENCE TO IMPROVE SHAREHOLDER RETURNS

HIGHLIGHTS

- Double-digit revenue growth in Asia made up the shortfalls in Europe and North America to deliver modest revenue growth across the global Consumer portfolio
- Achieved mid single-digit revenue growth in the Cable segment
- Despite an overall slowdown in the market, the Automotive segment in Europe had a strong second half of the year and generated nearly 3% revenue growth with existing customers and new project start-ups
- Polyflex® PE products achieved over 5% revenue growth despite an overall sluggish Construction market
- Renfrew Pro™ hockey tapes were featured in special NHL events such as Military Appreciation Nights and the Hockey Fights Cancer initiative
- Barnier® Orange brand celebrated 50 years of market prominence in the consumer markets in France
- Opened a new converting and distribution facility in Delhi, India to better serve customers in the North of India
- Continued focus on maximising asset utilisation
- Specialty segment experienced a significant reduction in revenue due to product rationalisation and reduction in volume at key accounts mainly in North America

Overview

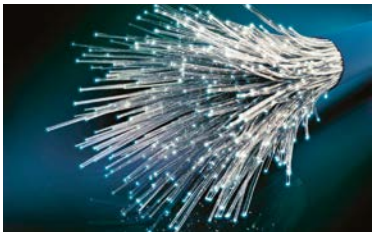
The financial year 2020 was challenging for Scapa Industrial, especially the second half of the year where we experienced substantial market contraction in our key market segments. In the face of macro-economic challenges, coupled with the impact of COVID-19 to our end markets in the fourth quarter, 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.



THE MARKETS WE SERVE

Automotive

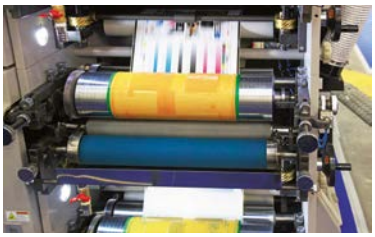
Cable



Construction

Consumer

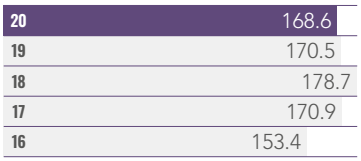
Specialty



HIGHLIGHTS

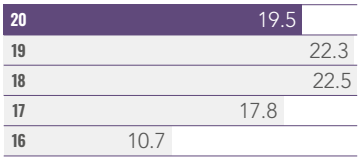
Industrial revenue (£m)

£168.6m



Industrial trading profit (£m)

£19.5m



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.

RENFREW HOCKEY

Scapa's Renfrew Pro™ Hockey Tape brand partnered with the Boston Bruins of the National Hockey League (NHL) for a series of featured game-night events celebrating the contributions of those in public service and raising cancer awareness.

Each of the 'Hockey Fights Cancer', 'Military Appreciation Night' and 'First Responders Night' themed events featured cause-specific Renfrew Pro™ Hockey Tape in both the Bruins and visiting team locker rooms, on-ice use during pre-game warm-ups and throughout the games themselves. These exciting game-night partnerships were featured on the Boston Bruins social media platforms with Renfrew Pro™ tagged throughout, increasing our social media followers.

Stay up to date at **scapaindustrial.com**

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.

OUR APPROACH TO RISK MANAGEMENT

An integrated approach to risk management – the policies, procedures and monitoring systems that are in place – effectively manages the risks faced by our business.

Risk is an inherent part of our business and it is important for us to identify and understand the degree to which its impact and likelihood of occurrence will affect the delivery of our key objectives.

Scapa adopts both a Top Down and Bottom Up approach to manage risk exposure across the Group and enable the effective pursuit of strategic objectives. In addition to ongoing risk identification, the Group's risk universe is reviewed on an annual basis. The approach is summarised in the table opposite and below:

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

Bottom Up – by engaging with our people, listening to their views and recognising their contribution. In addition, we have reviewed and refreshed our whistleblowing procedures in FY20 to ensure that they are robust and effective, enabling issues such as potential wrongdoing or risks that aren't being managed to be highlighted.

TOP DOWN

STRATEGIC RISK MANAGEMENT

Board and Audit and Risk Committee

- Provision of guidance on the Group's approach and establishing parameters for decision-making
- Identification, review and management of identified Group strategic risks and associated actions
- Ongoing consideration of environmental risks
- Setting the risk appetite of the Group

Executive and Leadership Teams

- Directing delivery of the Group's identified actions associated with managing risk
- Identification and monitoring of the key risk indicators and taking timely action where appropriate

Business units

- Execution of the delivery of the Group's identified actions associated with managing risk
- Timely reporting on the implementation and progress of agreed action plans
- Provision of key risk indicator updates

BOTTOM UP

OPERATIONAL RISK MANAGEMENT

Board and Audit and Risk Committee

- Assessing the effectiveness of the risk management processes adopted across the Group
- Challenging the content of the strategic risk registers to facilitate the documentation of comprehensive and balanced assessment of risk
- Reporting on the principal risks and uncertainties of the Group

Executive and Leadership Teams

- Responsible for reviewing the completeness and consistency of the operational risk registers across business units and the Group
- Challenging the appropriateness and adequacy of proposed action plans to mitigate risk
- Analysing and giving consideration to the aggregation of risk across the Group
- Provision of cross-functional/business unit resource to effectively mitigate risk where appropriate

Business units

- Identification and reporting of strategic risks to the Board
- Provision of reports and data relating to significant emerging risks to the Group (internal and external)
- Implementation of a risk management approach which promotes the ongoing identification, evaluation, prioritisation, mitigation and monitoring of operational risk
- Identification, evaluation, prioritisation, mitigation and monitoring of operational risks which are the responsibility of each subsidiary company
- Identification of strategic risks which are reported to the Group

RISK MANAGEMENT MODEL

The recording of risks is achieved through our risk management model (see below). The Group Board has overall responsibility for ensuring that Scapa has an effective risk management framework which is aligned to our objectives.

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

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

The key areas of identifying, assessing, addressing and monitoring risks are explained in further detail as follows:

Identify

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

In addition to ongoing risk identification, the Group's risk universe is reviewed on an annual basis. This exercise relies on risk intelligence being gathered through the Top Down, Bottom Up method detailed on the opposite page.

Assess

After identifying Scapa's inherent risk exposure, we assess the suitability and effectiveness of existing controls and mitigating factors to ascertain the Group's net exposure (mitigated risk score).

This process includes mapping the sources and reliability of assurances over the effectiveness of controls provided to the Executive Team, Audit and Risk Committee and Board.

Address

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

Treat – develop an action plan to implement additional controls or provide additional assurance over the adequacy and effectiveness of existing controls.

Transfer – use third party expertise to mitigate against risk.

Tolerate – determine that the risk is within appetite, when compared with the cost and resources required to reduce the risk.

Terminate – exit the activity.

Monitor

The process used by the Audit and Risk Committee to review the effectiveness of risk management includes the review of the Group's:

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

Understanding and appropriately managing risk inherent to our business ensures that the Group is able to deliver against its strategic objectives.

Internal control

Internal control is a continuous process which is ingrained in our activities and operations. The aim of our internal control framework is to provide reasonable assurance to the Board over the following areas:

- the effectiveness and efficiency of operations;
- the reliability of financial reporting; and
- compliance with relevant laws and regulations.

Our internal control framework consists of the following key components:

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

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

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

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

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

Site-based teams operate against mandated minimum control standards which are issued by the Chief Financial Officer. Annual assessments of compliance are completed by the site teams as part of a controls self-assessment process prior to internal audit visits. Each site team is subject to regular internal audit, where the extent of compliance with these standards and the accuracy of the controls self-assessment are examined.

Financial reporting follows generally accepted accounting practice in all areas.

As a result of travel restrictions during COVID-19, remote-working tools such as video-conferencing and increased remote data analysis have been utilised to ensure that effective monitoring activities continue.

Central review and approval procedures are in place in respect of major areas of risk such as acquisitions and disposals, major contracts, capital expenditure, litigation, treasury management, taxation and environmental issues.

Compliance with legislation is closely monitored and reviewed regularly to ensure that any new legislation is taken into account, including compliance with environmental legislation.

High standards and defined targets are set for environmental, health and safety performance.

Risk and control reporting structure

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

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

Internally, we operate 'three lines of defence':

First line – establish and embed policies and procedures.

Second line – direct and set policy at Group level to enforce consistency. Oversight functions sit at Group level.

Third line – independent challenge and assurance.

STRONG RISK MANAGEMENT SYSTEMS SUPPORT THE STRATEGY FOR GROWTH

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

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Strategic risks and definitions				
Economic and political – Emerging risk				
Economic and political uncertainty, e.g. COVID-19 outbreak and Brexit trade negotiations, which affect market and financial stability	• Detrimental impact on business performance	• COVID-19 Steering Group meets regularly to evaluate the impact of the pandemic on employees, operations, supply chain and sales, and to formulate, monitor and adjust action plans. Sufficient raw material stocks held to address short-term supply chain issues • Geographic and sector diversity means the Group maintains a largely natural transactional currency hedge with the main exposure being translation. A Brexit policy was recently approved by the Board. However due to the Group's geographical diversity we anticipate a no-deal Brexit will not have a material impact on the Group • Authorised Economic Operator status in place for key freight providers (UK) • Brexit Working Group	↗	1 2 3
Business strategy				
The Board develops the wrong strategy or fails to implement the strategy effectively	• Negative impact on long-term growth prospects	• Clear strategy in place which is reviewed by the Board on a regular basis • Progress against the strategy is monitored by senior management and the Board on an ongoing basis • Risks related to strategy are reviewed regularly by the Audit and Risk Committee and Board • Gargrave acquisition delivers strategic advantage through innovation, access to new markets and new product categories	↗	1 2 3
Acquisitions and disposals				
Poor decision-making on organisational restructuring	• Adversely affects the Group's position and prospects, weakening shareholder value	• Significant internal and external due diligence processes • Acquisitions and disposals approved by the Board • Monitoring of business portfolio and structure at senior management and Board level • Integration planning for acquisitions across Finance, Operations, IT, HR and Commercial functions	–	1 2 3

RISK MOVEMENT

- ↗ Increase in risk
- – No change in risk
- ↙ Decrease in risk
- ✱ New risk

LINK TO STRATEGIC PRIORITIES

- 1 Challenge the Status Quo
- 2 Challenge Ourselves
- 3 Challenge Sufficiency

Find our Strategy on pages 20–21

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Financial risks and definitions				
Financial and treasury				
Unavailability and cost of funding, and foreign exchange	• The Company does not have access to sufficient funds to permit trading as a going concern	• Access to committed RCF of £80m and a new short-term £15m stand-alone facility, together with the equity placement of >£30m post year end providing sufficient headroom and capability • All treasury policies Board approved • Day-to-day currency exposure is largely naturally hedged. The Company may consider hedging instruments for specific transactions as they arise	–	1 2 3
Pensions				
Liabilities increase due to increasing life expectancy, inflation and poor performance in investments compounded by fluctuations in the discount rate	• The pension liabilities and associated cash requirements have a material adverse impact on the Group's cash flows	• No final salary pension schemes are open in the Group • Active and ongoing liability management programme, including long-term funding agreements • All asset investments managed by professional fund managers • Asset portfolio is diverse and spreads risk and return across multiple investment types and across various global territories • Pensions risk assessment completed by independent experts • Joint working party and advisers with Trustee • Favourable experience gains per latest triennial valuation resulting in significant decrease in liability	–	1 2 3
Market risks and definitions				
Customers				
Over-reliance on specific customers or markets	• Places pressures on pricing, margins and profitability	• Diverse range of sectors and customers; no specific weight towards one • Business strategy, including continuing to focus on being a strategic outsource partner of choice for current and future industry leaders in Healthcare and concentrating on our core markets and top 20 customers in Industrial • Move to inception-to-delivery development and manufacturing services provides greater diversification in Healthcare • Multi-year contracts are in place with key customers • Extensive upfront customer risk assessment and robust credit management systems employed • Close monitoring of market intelligence • Established sales generation and monitoring systems provide visibility of the pipeline	↗	1 2 3

RISK MOVEMENT

- ↗ Increase in risk
- – No change in risk
- ↙ Decrease in risk
- ✱ New risk

LINK TO STRATEGIC PRIORITIES

- 1 Challenge the Status Quo
- 2 Challenge Ourselves
- 3 Challenge Sufficiency

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Operations risks and definitions				
Suppliers				
Over-reliance on specific suppliers	• Supplier failure or unavailability/ discontinuation of key raw material products, particularly as a result of COVID-19, has a detrimental impact on business performance	• Dual sourcing based on regional alternatives • Rolling programme of key supplier audits • Proactive management and monitoring of suppliers using Supplier Performance Improvement and Requirements Evaluation (SPIRE) initiative • Advanced purchasing of raw materials when relationship dynamic changes are identified	↗	1 2 3
Plant and equipment				
Equipment failure	• Inability to meet customer demand impacts business performance and reduces customer confidence	• Preventative scheduled shutdown and maintenance programmes are in place • Capital investment budget includes parts and spares • Stores of critical spare parts maintained	—	1 2 3
Human resources				
Failure to attract, develop and retain people with the necessary skills to support sustainable growth	• Inability to achieve our business objectives of sustainable growth • Loss of skills, knowledge and experience	• Global performance management system in place at major sites • Performance-related incentive schemes in place across the business • Global Reward, Compensation and Benefits Manager to manage global reward and incentive linked to overall business strategy • Roll-out of talent and succession planning programme • Standardised recruitment processes in place across the Group • Third party benchmarking of reward • Continued roll-out and refresh of The Scapa Way to embed the right behaviours	—	1 2 3
Technology				
Business is subject to a cyber-attack or other event that results in data loss and/or systems outage	• Significant disruption to direct manufacturing and support processes	• Business continuity and disaster recovery processes in place at major sites • Annual disaster recovery test for core systems • Multi-site remote back-up of electronic data • Failover/standby solutions give additional core systems resilience • Security and segregation built into e-commerce system architecture to minimise exposure • Rigorous IT governance model • Ongoing review of cyber security, data protection procedures, policies and assurance • Cyber awareness training rolled out across the Group • Group-wide business interruption insurance in place	—	1 2 3
Disruption to operations – Emerging risk				
Pandemic, natural disaster or extreme weather event causes business interruption	• Significant disruption to direct manufacturing and support processes	• COVID-19 Steering Group meets regularly to evaluate the impact of the pandemic on employees, operations, supply chain and sales, and to formulate, monitor and adjust action plans • Shift patterns and working practices have been modified in response to COVID-19 to enable extensive remote working and facilitate social distancing across all sites to protect employee and public health • Business continuity and disaster recovery processes in place at major sites • Flood mitigation measures • Group-wide business interruption insurance in place	✱	1 2 3

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Regulatory and compliance risks and definitions				
Product quality				
Products do not meet quality or regulatory standards	• Failure to meet regulatory standards could lead to regulatory action, restricting our ability to manufacture and sell products • Poor financial performance due to customer returns and product liability claims, ultimately affecting customer trust in Scapa as a supplier	• ISO 9001 in place at all key sites • Medical device manufacturing sites: Gargrave, Knoxville, Ramsbury, Orangeburg and Windsor are accredited to ISO 13485 • Local quality control teams at all sites • Contractual arrangements with key suppliers include quality metrics • Internal quality audit processes are in place with issue resolution tracking • In-process and final product quality checks are performed to ensure compliance • Customer quality requirements clearly identified with regular customer audits • Recall insurance in place for Healthcare and Automotive • Increased recruitment of regulatory and quality specialists across the Group	↗	1 2 3
Health and safety				
Failure to ensure safe working practices	• Significant injury or loss of life • Reputational damage associated with accidents and injuries resulting in customer disassociation with Scapa • Financial loss associated with lost working time and remediation	• Global Health and Safety Policy and standards in place • Ongoing development of policies and training programmes • Safety management system development • Regular audits and work with external agencies accredited to ISO 14001 and 18001 globally • Actively using risk mapping mechanisms to influence EHS capital expenditure to manage our risks • Shift patterns and working practices have been modified in response to COVID-19 to enable extensive remote working and facilitate social distancing across all sites to protect employee and public health	–	1 2 3
Environment				
Failure to mitigate environmental impact	• Reputational damage • Financial loss associated with clean-up, fines and sanctions	• ISO 14001 in most sites, with a plan in place to certify the remaining significant sites • Conduct regular internal reviews of environmental aspects and impacts • Training provided to site management and employees • Enforcement and surveillance visits by third parties	–	1 2 3

RISK MOVEMENT

- ↗ Increase in risk
- – No change in risk
- ↙ Decrease in risk
- ✱ New risk

LINK TO STRATEGIC PRIORITIES

- 1 Challenge the Status Quo
- 2 Challenge Ourselves
- 3 Challenge Sufficiency

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code (commonly referred to as the longer-term viability statement) the Directors are required to assess the prospects of the Group over a longer period than the twelve months required by the 'Going Concern' provision.

The review period chosen by the Directors is a review for a period of three years, which was selected for the following reasons:

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

Principal risks

During 2019/20, the Board has continued to assess and monitor the principal risks of the business. This includes those risks (financial, operational and compliance) which would impact on the Group's strategy to achieve long-term profitable growth, taking account of global economic and political volatility (e.g. a no-deal Brexit or the COVID-19 pandemic).

The principal risks have been categorised into:

- strategic;
- financial;
- market;
- operations; and
- regulatory and compliance.

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

Moreover the Group has taken into account the potential impact of the COVID-19 global pandemic on the Group's results across the three-year period and has used these results in assessing the three-year viability.

In a challenging environment to forecast accurately the Group has updated the internal forecasts to take into account the possible effects of COVID-19 and is managing internally against this 'COVID-19 scenario' created in the early weeks of lockdown which reflects a substantial reduction in sales in the early months of the crisis with a return to previous forecast levels nearing the second half of the year, together with a somewhat depressed growth in FY22 but returning to original expectations in FY23. This scenario has been stress tested in the event of a longer or deeper impact on trading, together with a further sensitivity assessment against the Group's principal risks noted above.

In addition, as we anticipated the potential impact of the global pandemic we sought out additional factors to strengthen our Balance Sheet position and ensure a good level of headroom and liquidity for the Group. These actions included:

- In March 2020 the Group agreed a deferment of the £2.0m UK pension contribution payment with the scheme Trustee which is held as restricted cash at the end of March
- On 14 May 2020 the Group completed an equity placement securing £32.6m gross equating to approximately 20% of the issued share capital
- In June 2020 we secured additional funding of £15.0m from our existing banking syndicate for a twelve-month period in addition to the existing £80m facility
- The Board has suspended ordinary dividends for 2020 to support the strengthening of the Group Balance Sheet

The COVID-19 base case model takes account of the facility headroom afforded to the Group as a result of these funding structures.

Further internal actions included the tightening of capital investment to focus on high return organic growth projects and centre of excellence consolidation opportunities, together with tight cost control, seeking out government support where available (e.g. USA Paycheck support) and strong working capital management.

Although we will be drawing on our available credit facilities throughout the three-year period with a refinancing exercise due at the end of our existing revolving facility in October 2022, under this scenario the Group will have significant liquidity headroom throughout these three years, and we are pleased to note that in the first eight weeks of the new financial year, both revenue and cash have outperformed the scenario.

The additional stress testing against the Group's principal risks included two severe but plausible sensitivity downsides taking account of potential key risks for the business:

a) Market risk: Over-reliance on specific customer. The current economic environment is putting increased strain on a number of sectors, particularly within the Industrial business unit, and there is a risk of the loss of a major customer. In this scenario, in addition to the base case reductions assumed due to the impact of COVID-19, the Group has assumed the loss of all revenue from a significant customer

b) Operations risk: Pandemic disruptions to operations. There is continued uncertainty in relation to the impact and duration of the COVID-19 pandemic, and there is risk that the disruption to operations may last longer than currently forecast by the Group. As noted earlier, the Group has already included a substantial reduction in the baseline COVID-19 scenario

In these scenarios the Group has a good level of liquidity headroom against available facilities, and encounters no banking covenant issues as a result.

Current position and prospects

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

As noted above the Directors' assessment has been made with reference to the Group's current position, prospects and Balance Sheet strength, the Group's strategy and the Group's principal risks including the COVID-19 pandemic, and how these are managed, as detailed in the Strategic Report.

REVENUE GROWTH DESPITE CHALLENGES

Good revenue growth for the Group despite macro-economic and contractual challenges.

Oskar Zahn
Chief Financial Officer

HIGHLIGHTS

- Group revenue increased 2.8% to £320.6m
- Trading profit down 27.2% to £27.8m following the loss of the ConvaTec contract
- Group operating loss of £47.3m following exceptional items of £68.4m including impairments of £54.6m and contract-specific exceptional costs of £7.2m associated with the loss of the ConvaTec contract
- EBITDA down 13.5% to £39.7m
- Adjusted net debt* of £54.4m (2019: £43.7m)

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. This COVID-19 response is discussed in more detail in the case study on page 41.

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 are set out on pages 95 to 101.

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 impairments following the IAS 36 asset 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. A full list of alternative performance measures used by the Group are defined on page 40. 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 and these are explained in more detail in note 4 (see page 105).

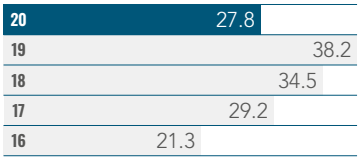
The loss of the ConvaTec contract resulted in exceptional costs totalling £7.2m comprising the write-off of specific inventory of £4.6m, severance costs of £0.1m, legal costs of £1.0m and other costs of £1.5m. In addition, goodwill impairments of £9.0m were booked for sites affected by the loss of the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

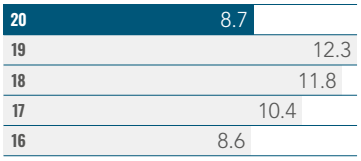
Trading profit (£m)

£27.8m



Trading profit margin (%)

8.7%



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. Full details of these impairments are discussed in note 13 on page 110.

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.

* Excluding lease liabilities

** Trading profit less interest on bank borrowings

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.

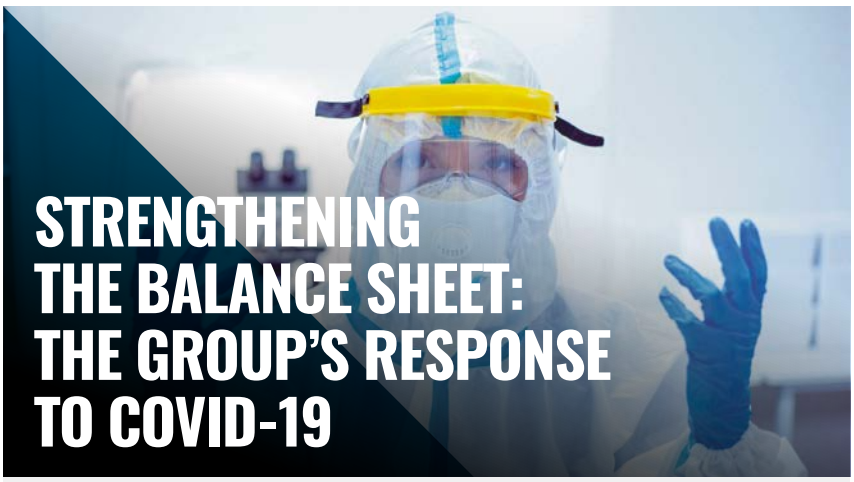
Pension

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

Alternative performance measures – definitions

- **Constant currency:** prior year results translated at current year's average exchange rates
- **Trading profit:** profit before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs
- **Continuing basis:** Group results before the impact of IFRS 15 provision release for the Systagenix acquisition
- **Net debt:** cash and cash equivalents net of borrowings including restricted cash and unamortised debt issue costs
- **Adjusted net debt:** as net debt but excluding the impact of lease liabilities
- **Trading profit margin:** this is trading profit divided by sales
- **Organic underlying results:** this excludes the impact of acquisitions within the reporting period
- **Adjusted earnings per share:** EPS using trading profit after tax and interest on bank borrowings and reconciled in note 10 on page 108 of the accounts
- **Adjusted effective tax rate:** tax on trading activities divided by trading profit less interest on bank borrowings
- **EBITDA:** trading profit before depreciation
- **Adjusted profit before tax:** trading profit less interest on bank borrowings



STRENGTHENING THE BALANCE SHEET: THE GROUP'S RESPONSE TO COVID-19

The Group's cash management strategy is to maintain a strong Balance Sheet whilst delivering good cash generation and, following the outbreak of the global COVID-19 pandemic, the Group has sought to strengthen this position even further.

The Group has secured additional funding of £15.0m from its existing banking syndicate for a 12-month period from June 2020 in addition to the existing £80.0m revolving facility. 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.

Other steps include:

- tightening the capital investment to focus on high return organic growth projects and centre of excellence consolidation opportunities
- strong working capital management
- seeking government support where available, e.g. US Paycheck Protection Program loan of US$5m received in April 2020
- gaining agreement from the UK Pension Trustee to defer £2.0m of pension CAR contributions to be held as additional funding headroom in March 2020
- the Board has suspended ordinary dividends for 2020 to support the strengthening of the Group Balance Sheet

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.

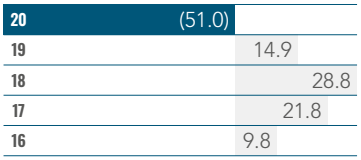
Risk management and the year ahead

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

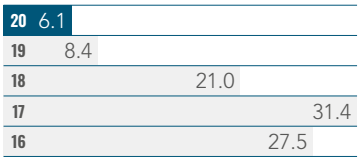
(Loss)/profit before tax (£m)

£(51.0)m



Pension deficit (£m)

£6.1m



THE SUSTAINABILITY OF THE BUSINESS RELIES ON AN ENGAGED AND INSPIRED WORKFORCE

Our employees are the foundation of Scapa. Characterised by their entrepreneurial spirit and their ability to adapt and respond to change, our employees are resilient, focused and innovative and are integral to our success.

EMPLOYEE ENGAGEMENT

Employee welfare and engagement is high on our agenda. We are focused on continuously improving the employee experience in order to increase fulfilment and deliver tangible business improvements. Insights from our 2019 Global Employee Engagement Survey and feedback from the annual Leadership Conference have enabled us to set specific targets and goals to strengthen engagement across the business.

Meaningful communication is critical to developing trust within the business and has a significant impact on engagement, culture and productivity. To strengthen employee communication this year we have focused on improving our internal communication practices and channels.

At the start of the year, Heejae Chae (Chief Executive) began a programme of site visits during which he met with employees at site town-halls. The meetings provided opportunities for Heejae to engage in person with the workforce and to hear directly from employees about the challenges they face in their area of the business.

Responding to a range of subjects, Heejae talked openly about his decision to remain with Scapa following his resignation in May 2019. The meetings informed employees about developments from across the business. We will continue to focus on leadership communication and increasing the visibility of the Executive Team to help promote vision and Company achievements internally.

During the year we launched the first issue of Scapa World, a newsletter for employees available in all of our represented languages. This is produced online and in print to reach operational teams as well as office-based colleagues. The newsletter provides another place for recognising and celebrating the achievements of our employees and sharing best practice examples of innovation and entrepreneurship that demonstrate our Ten Guiding Principles in action.

In response to the results of the Global Engagement Survey, teams at each site have produced local action plans to address areas for improvement and engagement champions are leading a range of initiatives locally to strength recognition and communication.

Over the course of this year a range of engagement initiatives have brought employees together. The Scapa Cup took place in the summer at our Ghislarengo facility in Italy. The football tournament, now in its eighth year, involved teams from Ashton, Ghislarengo and Valence competing in the one-day football tournament that was enjoyed by employees and their families. Congratulations again to Scapa Italia who won the tournament!

This year our UK employees were due to take on the Yorkshire Three Peaks Challenge. However, in response to COVID-19 social distancing guidance, the event was postponed. Thirty employees will take on the 24 miles and 5,200 ft ascent in aid of North West Air Ambulance Charity, that delivers life-saving support to communities in the North West of the UK.

In addition, in April 2020, the Board appointed Dr Tim Miller as the Designated Non-Executive Director for Employee Engagement. Tim held his first forum with UK Employee Engagement representatives in June 2020. This programme will be rolled out throughout the Group on a geographical basis.

Our Values in Action

The Scapa Way influences everything we do, from demonstrating our Ten Guiding Principles to using the Five Dimensions methodology to create value. Our Ten Guiding Principles are the values and behaviours we expect from our employees.

Recognition

We understand the value of recognition and we continue to drive the Living the Guiding Principles recognition programme throughout the business. The programme encourages employees to recognise their peers for living The Scapa Way. The awards allow for different levels of recognition to ensure outstanding performance is identified and rewarded. During the last year 256 employees were recognised through the scheme.

Our CEO Awards programme is a recognition scheme sponsored by our Chief Executive, where we reward great achievements. The annual recognition scheme celebrates work that excels in one of four categories: Compliance, Change, Customer Focus and Entrepreneurship. This year we received 28 submissions from across the business. In response to COVID-19, we have postponed our annual Leadership Conference and this has meant a delay in announcing this year's CEO Awards winners. We look forward to celebrating the 2019 winners later this year.

At Scapa we recognise the value of long service and we are extremely proud of the high number of long-serving colleagues we have. We reward 10, 20 and 40 years' service to recognise the value this depth of manufacturing expertise and competence brings to the business and how it supports us to bring best-in-class innovation, design and manufacturing solutions to our global customers.

42%
of our employees have worked at Scapa for 10 years or more

>20%
of our employees have worked at Scapa for 20 years or more

LIVING THE GUIDING PRINCIPLES AWARD

This year we recognised Vernal Robinson, Mixer Operator, Windsor, with a Living the Guiding Principles Award.

Vernal received a Silver award for his work on the coating mixing process. Vernal, who has worked at Scapa for 20 years, volunteered his time, adjusting his regular schedule to cover the open mixing position on the night shift, at a critical time for production. Vernal also volunteered his time to train up new employees in the mixing process.

Vernal is outstanding in his role, providing quality adhesives to our coating lines demonstrating our Guiding Principles, and the values that underpin The Scapa Way of Knowledge, Customer Focus and Value Creation.

Committed to keeping our coating production running smoothly, Vernal's dedication to his job ensures we deliver quality products to our customers.

PRINCIPLES OF LEADERSHIP CERTIFICATION SERIES

This year 19 employees from Windsor and Orangeburg were selected to participate in the Principles of Leadership Certification Series.

This programme was designed in direct response to employee feedback, to systematically develop the leadership skills of current and future leaders of the organisation. Through an active learning model of group exercises, self-reflection and collaborative peer learning, the participants are now able to apply the concepts to real-life situations and begin identifying opportunities for their personal growth and development, and then apply the skills gained back on the job.

NURTURING OUR TALENT

Our success is the direct reflection of our talent and how that talent is engaged and developed. At Scapa we believe talent is the combination of performance, engagement and potential. Our Talent Management programme allows us to identify, develop and grow our talent pool across our leadership population.

The Harvard ManageMentor® programme continues to be central to our development efforts. Harvard Business School's online learning platform offers 40 different topics in leadership, management and general business. This year we increased the number of participants providing more of our employees with this learning opportunity. The programme is now in its fifth year with 68 employees worldwide completing the training.

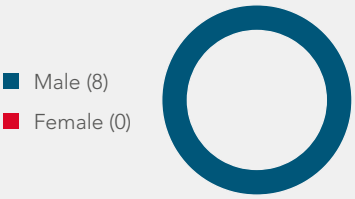
Also as part of our Talent Management programme, we continue to maximise our ability to future-proof the business by managing people risk through the Succession Planning programme, which allows us to understand the risks that are inherent to our teams and structures, and plan accordingly.

A variety of local training and development initiatives have taken place during the year, including employees at our Valence site benefiting from training in production optimisation to gain a better understanding of how different teams impact converting and production. The opportunity helped to capture years of knowledge by bringing together long-serving and new employees. Knowledge sharing gave everyone a real sense of fulfilment.

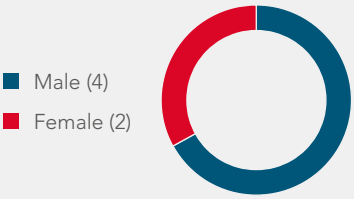
Our Code of Conduct outlines the Company's standards of behaviour and provides a valuable tool for employees across the globe to assess and manage risks while protecting and enhancing the Company's reputation. Code of Conduct training is an annual requirement for all employees.

Gender diversity

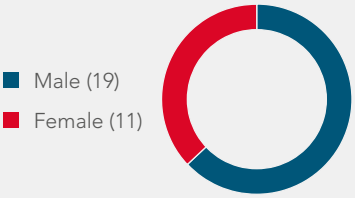
BOARD



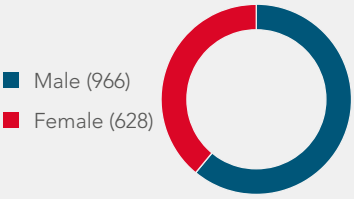
EXECUTIVE TEAM



LEADERSHIP TEAM



ALL STAFF



CREATING VALUE IN OUR COMMUNITIES

Scapa's programme of community support brought employees together to support the local communities in which we operate. Our programme includes local and national charities, fundraising events and local projects.

Our team at Orangeburg got greener and planted and opened their own vegetable garden. The garden fosters a sense of community with 'vegetable lunches' being held for employees and their families and donations being made to local organisations that support people struggling to afford fresh produce.

Our Scapa Healthcare team in Windsor volunteered their time to help build homes in the local community with the Hartford Area Habitat for Humanity. Habitat for Humanity is a global non-profit organisation dedicated to strengthening communities by empowering low-income families to change their lives and the lives of future generations through home-ownership opportunities.

At our Head Office in Ashton, employees supported their local community by joining the 'Tameside 4 Good' Christmas toy appeal. The appeal aimed to make it a Christmas to remember for the one-in-four Tameside children living in poverty.

Employees at our Gargrave site supported a number of local concerns, including the local First Responders, by purchasing a second emergency kit for Gargrave village. In the event of an emergency, community responders are often first on the scene to assist and possibly save lives. The British Heart Foundation said: "These trained volunteers are invaluable in rural areas."

This year, the team in Renfrew achieved a significant milestone in their support of the Renfrew Victoria Hospital. The employees have collectively donated their target of $50,000, of which the Company has matched on a 5:1 ratio, bringing the total contribution to the 'I Choose RVH' campaign to $300,000. The Renfrew Victoria Hospital is the primary care centre for many of the Renfrew employees and their families. The vast majority of the funds went to building a new nephrology wing – an area that is highly needed and utilised by the local population.

Scapa continues to support the Hallé Orchestra in Manchester. Founded in 1858, it is the Hallé's ambition to offer performances of the highest possible quality and to take their music to those who would not otherwise be able to hear it.

The way in which we manage our charitable donations and sponsorship framework ensures that we are giving responsibly and in line with our Ten Guiding Principles.

STAND AGAINST CHILDHOOD CANCER

This year Scapa Healthcare, Knoxville, were proud to take a stand against childhood cancer with more than 300,000 children globally being diagnosed with cancer each year.

In September teams wore their pyjamas to work or the colour yellow for Cancer Awareness Month to show support for these brave children. Donations raised went directly to the American Childhood Cancer Organization to help provide resources to the many families impacted by childhood cancer.

DIVERSITY AND INCLUSION

Our diverse workforce and inclusive culture enable the business to thrive and grow. At Scapa we celebrate diversity in many ways at our sites worldwide. This year Scapa India invited family and friends to join them to celebrate International Women's Day.

HEALTH AND WELLBEING

We are committed to ensuring the health and wellbeing of our employees. In response to COVID-19, our priority was to provide a safe environment for all of our employees, and this meant changing the way we work.

We enabled those who could do their jobs remotely to work from home; not only did this safeguard homeworkers' health but reduced the number of employees working at our sites, helping to protect colleagues in manufacturing and operations.

Employees adopted new ways of working and behaving, practising social distancing and following guidance on personal hygiene. With the exception of India our sites remained operational due to both the Healthcare and Industrial businesses being viewed as 'essential' in their respective countries. Following a combined effort of the Operational and EHS teams, an Operations Control Plan & Checklist for COVID-19 secure protocol was put in place, which incorporated the local government guidance. Each site manager signs a weekly compliance confirmation.

We support the health and wellbeing of our employees in a variety of ways. Our employee assistance programmes provide employees with access to a confidential helpline and a counselling service. At Scapa we also provide flexible working solutions to support parents and carers.

LOOKING AFTER EMPLOYEE HEALTH AND WELLBEING

Providing the right support at the right time.

Creating a vibrant culture of health and wellbeing within a company is no small undertaking; even more so when responding to COVID-19 when the need to support the wellbeing of our employees is absolutely critical.

At the start of the pandemic, employees had difficulty scheduling doctor's appointments as well as being fearful of visiting a healthcare facility during the outbreak. The concept of Telehealth is not always welcomed by individuals who for the most part feel more comfortable going to their familiar providers in person. However, with social distancing measures in place and restrictions imposed in order to minimise personal contact, it became necessary for everyone to step out of their comfort zone and explore a different approach to receiving healthcare.

Scapa identified the need for Telehealth services and quickly rolled out a programme at our facilities in the US for employees and their household members. Since the implementation of the Telehealth programme, 100 participants have registered and the comments have been very encouraging.

"I have been hesitant to use virtual healthcare – as I am used to physically visiting the doctor. My son was not feeling well and with COVID-19, was truly scared to visit the doctor's office – and did not know what to expect. Telehealth was great – the doctor called that same evening, diagnosed from the comfort of my home and submitted the prescription to my pharmacy. This was at no cost to me and gave me peace of mind."
– New York employee

In the challenging times in which we find ourselves, Scapa is also mindful of employees' mental wellbeing, particularly those employees working from home who may feel isolated. In response to this we have encouraged individuals to attend online wellbeing sessions covering a variety of topics and providing practical exercises. Employees across the globe have accessed this training and the feedback has been extremely positive.

"To be honest I was struggling before and this session has really expanded my view to this very special situation. I will try to remember what was said every day."
– Gargrave employee

We will continue to strive to offer the right support at the right time to our employees, working together to develop new initiatives.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

Scapa recognises that to be successful in our chosen markets, environmental, health and safety priorities in the workplace, in procurement and for our visitors and contractors continue to be of the highest importance. This philosophy extends to everyone who may be affected by our activities.

Complying with applicable legislation is one of our key Guiding Principles and we often exceed legislative requirements; if we have a higher standard in one country, we apply it in other parts of the world. This is the principle behind our ongoing drive to create workable, realistic and verifiable safety management systems and protocols.

The Board continues to provide environmental, health and safety leadership and the Group Chief Executive has ultimate responsibility for setting the principal objectives within which the detailed policies operate. The two Business Unit Heads, supported by the Group Head of EHS, ensure that adequate resources are available to successfully deploy and measure operational health, safety and environmental improvement plans.

Performance

Our achievements over the last year include:

- improving communication between the functional EHS leads across the whole organisation
- re-establishing wider Group forums for discussing, leading and driving the EHS agenda
- consolidating Safety Health Improvement Plans (SHIPs) and other hazard identification methods to assist with minimising operational risks
- revising our current Global Safety Management System with a view to introducing a cloud-based approach to accident and incident reporting, environmental compliance and audits

Although some improvement has been achieved and sustained, we believe that continuous improvement of EHS performance must be maintained. Initiatives to improve involvement, communication, training and accountability will continue over the coming years to help us to further reduce our risk profile in EHS.

Unfortunately, it is necessary to report that following the fatal accident that occurred in 2018 at the Dunstable factory, Scapa UK Limited has been charged under Section 2(1) of the Health and Safety at Work etc Act 1974. A guilty plea has been entered at Luton Magistrates' Court in respect of this offence. The financial penalty in relation to this offence will be determined in August 2020.

The impact of COVID-19

The COVID-19 pandemic developed during February and March and presented challenges to all businesses worldwide, including Scapa Group sites. Scapa teams have been managing the health, welfare and wellbeing of our employees around the globe. Local, national and international advice and guidance from pre-eminent medical institutions have been followed and the Group has been focused on minimising the likelihood of infection while at the same time continuing to operate in both business units.

Headline achievements

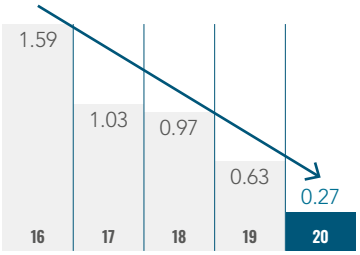
- Reduced our Lost Time Accident Frequency Rate to 0.27 from 0.63 per 200,000 hours worked, a 57% reduction on 2019 figures
- Both Inglewood and Knoxville achieved over four years without a lost time accident and Knoxville is closing in on 2,000,000 man-hours without a Lost Time Accident
- Transfer of equipment to Gargrave, following the closure of our Dunstable facility, has been carried out without incident
- Invested well over £1m in physical improvements to EHS standards at sites; an ongoing investment

Lost Time Accident Frequency Rate

We recognise that the accident rate is only part of the journey in ensuring accidents are not repeated and lessons are learnt from them. The emphasis going forward will be on prevention and the use of leading indicators, rather than retrospective action. We also recognise that correct management of safety risks and hazards arising from our activities which are properly addressed, and working with all our employees to achieve this, is the best way to ensure good safety practices.

2016–2020 Lost Time Accident Frequency Rate

0.27



ENVIRONMENTAL, HEALTH AND SAFETY (EHS) CONTINUED

Environment

Scapa is a world-class environmental steward; we recognise the importance of leading the way with recycling and reusing materials, and minimising our impact on the natural environment. We will continue a structured approach to assessing, maintaining and reducing the environmental impact in all our activities.

We will continue to target the overall reduction in manufacturing waste sent to landfill at all sites.

Gas and electricity remain significant inputs to Scapa processes at all our manufacturing sites. Constant reduction of energy usage is a key component of the Scapa environmental programme. We continue to work to implement energy management systems at our various global sites to help reduce overall consumption.

We measure our utility consumption monthly via our Safety Health Improvement Plans wherever feasible and use appropriate mechanisms and technology to reduce our carbon impact.

We ensure that we produce timely accurate reports for regulatory bodies and liaise with them wherever it is practicable to do so.

What we have done

- We encourage local recycling of metals, wood, cardboard, plastics and paper
- We measure, monitor and set targets for our emissions annually
- We encourage adoption of ISO 14001 to standardise environmental systems
- We provide environment-specific training to employees
- We comply with environmental safety laws globally and, wherever possible, we exceed the standards that are set

Scapa has a diverse international footprint where local managers are responsible for driving environmental performance alongside Group global policies. Local legislation and external management system requirements have been established to ensure compliance with specific site-level objectives in each country.

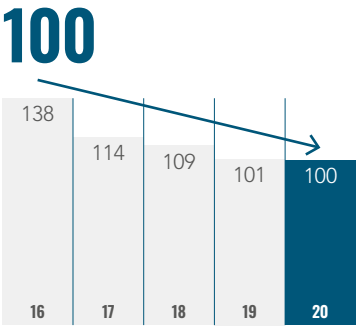
Scapa monitors environmental performance using a variety of indicators but the following core impacts are our primary measures:

- electricity and gas consumption during manufacturing operations, and fuel used for heating, all of which generate greenhouse gases
- use of natural resources
- disposal of waste

The following assumptions, methodology, definitions and data validation processes have been used to report the Group's key environmental performance indicators in 2019/20. The reported data complies with the Companies Act for the mandatory reporting of greenhouse gases:

- **Boundary scope:** data from all locations over which the Company has operational control is collected and measured
- **Primary data sources:** these include billing, invoices and other systems provided by the supplier of the energy to communicate energy consumption
- **Secondary data sources:** these include the Company's internal systems used to record and report the consumption data
- **Internal data validation:** the process used to review and compare primary data with secondary data
- **Conversion factors:** the 2019 Government GHG Conversion Factors for Company Reporting, published by the UK Department for Environment, Food & Rural Affairs (DEFRA), are used when converting gross emissions. The applicable country conversion factors published in this guidance have been applied to operations outside of the UK
- **Intensity metrics:** total carbon emission per £m of revenue is used to calculate the Company's intensity metrics

Carbon emissions per £m of revenue



Environmental performance

	Tonnes of CO_2e (gross)		
	2018	2019	2020
Scope 1	12,984	12,765	**21,446**
Scope 2	18,746	18,667	**10,710**
Total gross emissions	31,730	31,432	**32,156**
Total carbon emissions per £m revenue	109	101	**100**

This Strategic Report is approved.

By order of the Board

H R Chae
Group Chief Executive
23 June 2020

ENCOURAGING RESPONSIBLE CORPORATE BEHAVIOUR

We recognise the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Company and the interests of all our stakeholders.

Larry Pentz
Chairman

The statement of corporate governance practices set out on pages 49 to 83, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of Scapa Group plc.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Scapa Group plc's Corporate Governance Report for the year ended 31 March 2020.

This report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the 2018 UK Corporate Governance Code ('the Code').

Whilst acknowledging Scapa Group plc is an AIM listed company the Board has elected to apply the Code to its governance arrangements and continues to remain supportive of the principles laid down in the Code, keeping under review its systems, policies and procedures that support the Group's sustainability and governance practices. The Board acknowledges that there have been a small number of provisions of the Code that have not been complied with, an explanation for which is provided in the Governance Statement. Despite this the Board believes that it undertakes its responsibility for maintaining high standards of corporate governance which necessitates managing the business in a transparent and accountable way. Transparency is fundamental to delivery of the Group's strategy and to enabling value creation for shareholders and other stakeholders. This ethical leadership is cascaded throughout the business with adherence to our Scapa Code of Conduct, for which online training is a requirement for all employees on an annual basis and practised through the application of The Scapa Way.

The composition of the Board is reviewed to ensure that we have a diverse balance of skills, experience and knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and rigorous procedures are in place to attract, assess and develop Board and Executive Team talent. All appointments are made on merit, and the Board will consider suitably qualified applicants from as diverse a range as possible, with no restrictions on age, gender, religion, ethnic background or current executive employment, but whose competencies and knowledge will enhance the Board. I am pleased to report that during the year Dr Tim Miller was appointed to the Board as a Non-Executive Director and Remuneration Committee Chairman and has recently been appointed the Designated Non-Executive Director for Employee Engagement. Dr Miller brings a wealth of knowledge and experience relevant to our business. His biographical details are set out on page 50 of this report.

During the year an internal Board evaluation was undertaken using an online questionnaire platform (Diligent Evaluations Module) within the Board documentation software system. The questionnaire covered the key areas of Board Meetings and Materials; Strategy; Board Composition/Relationships; Risk; Chairman; Shareholders; and Structure/Performance of Board Committees. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee and that all Directors properly discharge their duties. The process identified areas where improvements could be made which are outlined in the Corporate Governance Report.

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.

L C Pentz
Chairman
23 June 2020

A DIVERSE RANGE OF SKILLS AND EXPERIENCE

Larry Pentz

Chairman

Appointment to the Board Larry was appointed to the Board as Chairman on 31 March 2017, having joined as Chairman-Designate on 3 January 2017. Larry is also Chairman of the Nomination Committee.

Experience Larry was an Executive Director of Johnson Matthey plc from 2003 to 2016 and has over 30 years' service within multi-national businesses in a variety of operational and general management positions.

External appointments Larry is also currently Chairman of Victrex plc, a position he has held since 2014 and prior to which he was a Non-Executive Director from 2008.

Heejae Chae

Group Chief Executive

Appointment to the Board Heejae joined the Board as an Executive Director on 7 September 2009 and subsequently became Group Chief Executive in November 2009.

Experience Prior to joining Scapa, Heejae was Group Chief Executive of Volex Group plc. He spent the early part of his career in finance at The Blackstone Group and Credit Suisse First Boston before moving into industry.

External appointments Heejae is currently a member of the Board of Overseers of the Boston Children's Hospital. Heejae was appointed as a Non-Executive Director of IP Group plc on 3 May 2018 and subsequently appointed as Remuneration Committee Chairman on 26 November 2019.

Brendan McAtamney

Non-Executive Director

Appointment to the Board Brendan joined the Board on 1 February 2018.

Experience Brendan has held various senior management positions with Abbott, latterly as Vice President Commercial and Corporate Officer within its Established Pharmaceuticals division.

External appointments Brendan is currently Chief Executive Officer of UDG Healthcare, since 2 February 2016, having served as an Executive Director since December 2013, and having originally joined UDG as Chief Operating Officer in 2013.

Dr Tim Miller

Non-Executive Director

Appointment to the Board Tim joined the Board on 20 January 2020 and is currently Chairman of the Remuneration Committee and was appointed Designated Non-Executive Director for Employee Engagement in April 2020.

Experience The majority of Tim's executive career has been within regulated industries, including at Glaxo Wellcome and Standard Chartered, with global responsibility for areas including human resources, compliance, audit, assurance, financial crime, property and legal. He was previously a Non-Executive Director of recruitment services provider Michael Page Group plc.

External appointments Tim is currently a Non-Executive Director and Remuneration Committee Chair of Clarkson plc and Equiniti Group plc. He is also a Non-Executive Director of Otis Gold Corporation.

COMMITTEE MEMBERSHIP

N Nomination Committee
R Remuneration Committee
AR Audit and Risk Committee
Committee Chairman

Oskar Zahn
Chief Financial Officer

Appointment to the Board Oskar joined the Board as Chief Financial Officer on 1 October 2018.

Experience Prior to joining Scapa, Oskar was CFO at Spearhead International Ltd from 2008 to 2018. He was formerly a Vice President of Finance of EMEA for Teleflex Inc, Head of Finance for Engineering at British Airways Plc, European Group Controller for Georgia-Pacific Inc, and Audit Manager at KPMG. Oskar is a fellow of the Institute of Chartered Accountants in England and Wales, and South Africa.

David Blackwood
Non-Executive Director

Appointment to the Board David joined the Board on 1 May 2016 and was appointed Senior Independent Director on 17 July 2018. David is also Chairman of the Audit and Risk Committee.

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

External appointments David was appointed Chairman of Connect Group PLC on 13 May 2020 and is currently Audit Chair and Senior Independent Director of Dignity Plc and Audit Chair and a Non-Executive Director of Stobart Group Ltd.

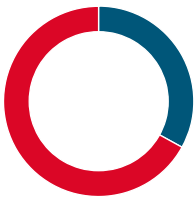
Wendy Baker
Group General Counsel and Company Secretary

Appointed Company Secretary on 11 September 2017.

Experience Wendy is a solicitor with over 15 years' experience as General Counsel and Company Secretary for multi-national, fully listed and AIM listed companies, including Volex Group plc, Promethean World plc and API Group plc. Wendy also qualified as an associate of the Chartered Insurance Institute prior to joining the legal profession.

BOARD COMPOSITION AS AT 23 JUNE 2020*

Executive (2)
Non-Executive (4)



* The composition of the Board during the year can be found on page 82 of the Directors' Report

LENGTH OF TENURE

Less than one year (1)
One to three years (2)
Three to six years (2)
More than six years (1)

MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE

The Board sets the Group's values and standards and is responsible for ensuring that its obligations to shareholders and other stakeholders, including customers, employees, communities and suppliers, are understood and met.

Attendance at meetings

Six scheduled Board meetings were held during the year together with additional meetings and telephone update calls as and when required. The table below shows attendance at those meetings. Only in exceptional circumstances would Directors not attend Board and Committee meetings and typically this would be due to conflicts where the meeting had been called at short notice. Ordinarily, attendance is in person but occasionally attendance may be via the use of video link or telephone conference facilities.

The Company Secretary was in attendance at all Board meetings as well as all conference calls.

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee[5]
Number of meetings	**10**	**4**	**9**	**13**
Larry Pentz (Chairman)	10/10	4/4	9/9	12/13
Heejae Chae[1] (Group Chief Executive)	10/10	4/4	5/5	8/8
Oskar Zahn[1] (Chief Financial Officer)	10/10	4/4	N/A	1/1
Sevan Demirdogen (President & Executive Vice-President)	10/10	N/A	N/A	N/A
Joe Doherty (Healthcare President)	10/10	N/A	N/A	N/A
David Blackwood (Non-Executive Director)	10/10	4/4	7/9	12/13
Brendan McAtamney (Non-Executive Director)	10/10	4/4	9/9	12/13
Tim Miller[2] (Non-Executive Director)	2/2	1/1	1/1	3/3
Pierre Guyot[3] (Non-Executive Director)	8/9	3/3	8/8	9/10
Juliet Thompson[4] (Non-Executive Director)	1/3	1/1	4/4	5/5

1 Although not members of the Committees, the Executive Directors may be invited to attend meetings of the Audit and Risk Committee, Remuneration Committee and Nomination Committee when considered appropriate and such attendance is reflected above

2 Appointed 20 January 2020

3 Resigned 29 February 2020

4 Resigned 30 June 2019

5 Board succession was considered throughout the year which necessitated more meetings than those ordinarily scheduled

Board Committees

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

Audit and Risk Committee	Nomination Committee	Remuneration Committee

The reports of the Audit and Risk Committee, Nomination Committee and Remuneration Committee are set out on pages 59 to 80.

Each Committee operates under defined Terms of Reference, which are reviewed annually, and has sufficient resources to undertake its duties, including access to the Company Secretary and external advisers, where appropriate. Each Committee Chairman provides regular update reports to the Board and will make recommendations to the Board pursuant to its Terms of Reference.

Compliance statement

As an AIM listed company, Scapa Group plc has decided to apply the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in July 2018 ('the Code'). Scapa's obligation under AIM rule 26 to disclose its Corporate Governance arrangements and compliance, is set out in the following compliance statement.

In respect of the year ended 31 March 2020, Scapa has complied with the provisions of the Code, with the exception of:

Provision 5: engagement with the workforce using one of the recognised methods. During the year the Board determined that in the first instance it would continue to use a number of effective workforce engagement mechanisms already in place across the Group, including in its overseas operations. This included an employee engagement survey, town-hall meetings and further promotion and implementation of The Scapa Way, details of which are included on pages 9 and 43. In April 2020 the Board appointed Dr Tim Miller as the Designated NED for Employee Engagement. Dr Miller has commenced the Scapa Employee Engagement Forum Programme and held a meeting with UK Employee Engagement representatives in June 2020. The programme will be rolled out across the Group in this financial year.

Provision 11: at least half of the Board, excluding the Chairman, should be independent Non-Executives. The Board comprised of three independent Non-Executive Directors, a Chairman and four Executive Directors from 1 July 2019 until 4 May 2020 (with the exception of the period 20 January until 29 February 2020 when there were four independent Non-Executive Directors). During that period, succession planning of the Board was a key focus and, whilst a search for a new independent Non-Executive Director was ongoing, the Chairman and Non-Executive Directors continued to constructively challenge the Executive Directors, held the Executive Directors and management to account against performance objectives and ensured that no one individual or small group of individuals could dominate the Board's decision-making. With effect from 4 May 2020, the Board comprises a Chairman, three Non-Executive Directors and two Executive Directors.

Provision 33: the Remuneration Committee's Terms of Reference do extend to reviewing the remuneration packages of senior executives within the business. However, due to the changes in the Remuneration Committee Chairman during the year, a review of workforce remuneration and related policies to ensure alignment of incentives and rewards with the Company culture was not undertaken. It is intended that this will be addressed this year.

Provision 36: a formal policy for post-employment shareholding requirements. Although a formal policy has not been adopted, a holding period of vested options has been applied to specific awards.

Provision 38: pension rates of Executive Directors should be aligned with those in the workforce. As outlined in the Remuneration Policy, which was approved by shareholders at the 2019 AGM, for current Executive Directors their contractual pension contributions will remain but any newly appointed Executive Directors' pension contributions will be capped at 10%.

Provision 41: as part of the description of the Remuneration Committee's work, inclusion of what workforce engagement has taken place to explain how Executive remuneration aligns with wider Company pay policy. Due to the changes in the Remuneration Committee Chairman during the year this was not addressed. It is intended to address this in the current financial year.

The Board of Scapa Group plc, whilst being mindful of its AIM listing and the size of the business, is committed to ensuring high levels of governance and is supportive of the principles laid down in the Code. The Board recognises that some additional measures need to be addressed and will endeavour to achieve further compliance with the Code during the next financial year.

Taken together with the Report of the Audit and Risk Committee, the Report of the Nomination Committee and the Board Report on Remuneration presented on pages 59 to 80, this statement explains how Scapa has applied the principles of good corporate governance as set out in the Code.

Leadership

The role of the Board

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

The Board currently comprises two Executive Directors, a Non-Executive Chairman and three independent Non-Executive Directors. The names, biographical details and Committee membership of the current Board members are set out on pages 50 to 51 of this report.

Leadership continued

Division of responsibilities of the Chairman and Chief Executive

There is a clear division of responsibilities between the Chairman and the Chief Executive, with each role having a formal written description of specific responsibilities.

Operation of the Board

The provision of relevant, up-to-date information is fundamental to the effective leadership delivered by the Board. Reports from the Executive Directors are circulated in advance of each Board meeting which focus on material operational and strategic matters. Reports are also produced by the Company Secretary on relevant governance and legislative matters. To ensure that the Directors are kept fully informed on the status of the business, members of the Executive Team and senior management present to the Board on strategic achievements of each business unit, commercial and EHS matters as well as risks affecting the Group.

The Board held its annual strategy meeting in Manchester, UK, in January 2020. Strategic progress is kept under review, regularly reported on and measured against KPIs.

The Board has adopted an annual programme ensuring that key matters are routinely considered in addition to non-standard items. The annual programme includes:

- ongoing review of the culture programme implemented throughout the Group to promote entrepreneurship and value creation
- review of governance issues affecting the Company
- review of the corporate structure of the Group
- succession planning
- assessment of the corporate risk map
- presentations from key business functions by members of the Leadership Team

Governance across the Group

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

Individual roles of the Board

CHAIRMAN

- Leads the Board in the determination of its strategy and the achievement of its objectives
- Ensures and facilitates Board effectiveness by thorough consideration and debate of issues to be addressed
- Applies the highest standards of integrity, probity and corporate governance throughout the Group
- Manages the relationship with shareholders in relation to governance matters
- Considers the composition and skillsets of the Board through evaluation
- Sets the Board agenda and, with the Company Secretary, ensures that the Directors receive accurate and timely information prior to each meeting

CHIEF EXECUTIVE

- Directly responsible for all executive management matters affecting the Group
- Ensures achievement of the agreed strategic objectives and leadership of the business on a day-to-day basis
- Accountable to the Board for the financial and operational performance of the Group
- Maintains close working relationship with the Chairman ensuring effective dialogue with investors and other stakeholders

NON-EXECUTIVE DIRECTORS

- Are independent and provide a wide range of experience to the Board
- Help develop strategy and promote constructive debate and challenge in Board discussions
- Ensure that the financial controls and systems of risk management are robust and defensible
- Monitor and scrutinise performance of Executive Directors and management
- Determine the remuneration of the Executive Directors
- Available to meet shareholders

SENIOR INDEPENDENT DIRECTOR

- Provides a sounding board for the Chairman
- Serves as an intermediary for the other Directors as necessary, as well as carrying out the evaluation of the Chairman
- Acts as a line of contact for shareholders if they have concerns which are not appropriate for discussions through the Chairman, Chief Executive or Chief Financial Officer

DESIGNATED NED FOR EMPLOYEE ENGAGEMENT

- Represents the Board and participates in employee engagement pursuant to the Employee Engagement Programme
- Provides relevant information to the workforce on Board plans/strategy
- Obtains an understanding of views or concerns of the workforce and shares these with the Board
- Ensures the Board, and particularly the Executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce

EMPLOYEE ENGAGEMENT

Welcome to Dr Tim Miller, Designated Non-Executive Director for Employee Engagement.

At Scapa we strive to create an environment where employees enjoy coming to work and feel an integral part of the business. We endeavour to attract and retain the best talent and expertise, recognising this as critical to our success in being innovative and focused on delivering high quality products with exceptional customer service.

We could not achieve what we do without our employees, who are the foundation of Scapa. Engaged employees feel proud of the part that they play in the business and are recognised for their contribution in many ways. This in turn increases productivity and maintains the quality and delivery of the service we provide to our customers together with value creation for our shareholders.

This year we have focused on strengthening employee engagement by utilising communication platforms and tools and increasing internal communication to ensure transparency and timeliness of information. We have continued to respond to the insights gained from our employee engagement survey 2019 and to monitor and report on our progress. A further engagement survey is scheduled for FY21.

To further enhance employee engagement and in line with good governance the Board has appointed Tim Miller as its Designated Non-Executive Director for Employee Engagement. Tim joined the Board as a Non-Executive Director on 20 January 2020 and is Chairman of the Remuneration Committee. The majority of Tim's executive career has been within regulated industries, including at Glaxo Wellcome and Standard Chartered, with global responsibility for areas including human resources, compliance, audit, assurance, financial crime, property and legal.

In this new role Tim will support the Board in ensuring our purpose, values and strategy are aligned to our culture and behaviours. In addition to the information the Board receives on workforce planning and engagement which is used in decision-making, Tim's appointment as the Designated Non-Executive Director will further increase transparency on workforce policies and culture within the business.

Years' experience

30+

Read more on **page 50**

Matters reserved for the Board

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

- approval (and ongoing review) of the Group's long-term objectives, strategy and operating policies
- approval of the Annual Operating Plan
- extension of the Group's activities into new business or geographic areas
- approval of major acquisitions or disposals of fixed assets, operations or subsidiaries
- review of the Group's overall corporate governance arrangements
- approval of material contracts and contracts in or outside of the ordinary course of business
- review of dividend policy and declaration of interim dividends and recommendation to shareholders of final dividend
- appointment, reappointment or removal of the external auditor
- ensuring a sound system of internal control and risk management
- major changes to the Group's management and control system
- approval of global material policies including inter alia policies relating to Health & Safety, Corporate Social Responsibility, Anti-bribery and Anti-corruption, Modern Slavery and Human Trafficking
- undertaking a formal and rigorous annual review of its own performance and that of its Committees and individual Directors
- establishing and reviewing the Employee Engagement mechanism which is reasonable and proportionate for the size of the business
- appointment and removal of the Company Secretary

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

Key matters considered at each scheduled meeting of the Board during the year included:

MAY 2019

- Reviewed and approved Full Year Results and Annual Report 2018/19 and 2019 Notice of AGM
- Recommendation of Dividend 2019 Payment
- Reviewed Code of Conduct
- Reviewed Employee Engagement
- Feedback from Leadership Conference

JULY 2019

- AGM Trading Statement and Proxy Results
- Review of UK Modern Slavery Act
- M&A Update
- Review of Schedule of Matters Reserved to the Board

SEPTEMBER 2019

- Overview of Interim Results 2019/20

NOVEMBER 2019

- Reviewed and approved Interim Results and Interim Report 2019/20
- IT Review/Strategy Presentation
- Review of Terms of Reference for all Board Committees

JANUARY 2020

- Appointment of Dr Tim Miller to the Board
- Executive Strategy Presentations to the Board

MARCH 2020

- Budget Presentations 2020/21
- Board Evaluation feedback
- Potential impact of COVID-19

Board effectiveness

Composition and independence of the Board

During the year under review, the composition of the Board varied as a result of one new appointment and four retirements. For the period 1 April 2019 to 30 June 2019, the Board comprised four independent Non-Executive Directors, four Executive Directors and a Non-Executive Chairman. From 1 July 2019 until 4 May 2020 the number of independent Non-Executive Directors was three (increasing to four for the period 20 January until 29 February), with four Executive Directors and a Non-Executive Chairman. With effect from 4 May 2020, the Board comprises two Executive Directors, three independent Non-Executive Directors and a Non-Executive Chairman.

Dr Tim Miller joined the Board as a Non-Executive Director and Chairman of the Remuneration Committee on 20 January 2020. Dr Miller has also recently been appointed the Designated Non-Executive Director for Employee Engagement. Full biographical details of all new and current Directors can be found on pages 50 to 51 of this report.

The Board considers all the Non-Executive Directors to be independent for the purposes of the Code.

The Chairman was independent on his appointment to the Board.

The skillsets and knowledge of the Non-Executive Directors are wide and varied and they provide constructive challenge in the boardroom. The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will optimise the quality of deliberations and decision-making. Diversity in the composition is considered to be an important factor in the effectiveness of the Board and, in searching for prospective Directors, the Board takes into account its existing skillsets and areas it has identified for development to meet future needs and address succession planning.

Board diversity

The Board acknowledges that the current composition does not reflect the Group's diversity policy. The Board recognises the importance of gender diversity throughout the Group and is committed to supporting women in achieving positions in senior management and Board membership, which will be a priority this year. During the year, the Executive Team comprised six positions, two being held by women. Further information on the total female

representation in our workforce is set out in the Sustainability Report on page 44 of this report.

A search for a new Non-Executive Director was undertaken during the year using independent leadership search firm, Ridgeway Partners. A number of candidates were considered in line with the diversity policy, together with other criteria including skillset and international industry experience. Dr Tim Miller was considered the candidate most suitable for the role. The Board's policy on Board diversity is set out on page 65 of this report and also in the Group Corporate Governance section of the Company's website (www.scapa.com). Further information on our employee policies is set out on page 82.

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

Scapa recognises that Non-Executive Directors have other business interests outside the Company and that other directorships bring benefits to the Board. All existing directorships are included in the biographical details of the Directors on pages 50 to 51. Non-Executive Directors are required to obtain approval from the Chairman before accepting any further appointments.

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

Employee engagement

The Scapa Way is our entrepreneurial culture that influences everything we do across the business. This is a culture which creates an environment that encourages people to take ownership and create value for our stakeholders. Living our Ten Guiding Principles is the Group's programme to recognise peers and teams for demonstrating behaviours aligned to The Scapa Way.

The results of our 2019 employee engagement survey together with feedback from the Annual Global Leadership Conference are enabling us to set specific targets and goals for the business to further enhance and strengthen The Scapa Way. With the appointment of Dr Tim Miller as the Designated Non-Executive Director for Employee Engagement, we believe that The Scapa Way will further drive the culture of our global business to support our business model and practices that aim to create lasting value for our main stakeholders.

Election/re-election

As referred to above, Dr Tim Miller was appointed to the Board during the year under review. His appointment will be subject to formal approval by shareholders at the Annual General Meeting to be held on 7 August 2020.

As referenced earlier in the Chairman's letter to shareholders, having served as Chairman of the Company for just over three years Larry Pentz has decided to retire at the AGM and will not be offering himself for re-election. Mr Chris Brinsmead, who has been appointed by the Board to succeed Larry as Chairman with effect from 7 August 2020, will offer himself for election as a Director. Biographical details relating to Chris Brinsmead can be found in the Notice of the Annual General Meeting.

In line with good governance the Board has adopted a policy that all Directors wishing to remain in post will propose themselves for re-election annually.

Further information on the appointment and replacement of Directors is provided in the Directors' Report on page 82.

Conflicts of interest

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

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the Board. The Directors have a continuing duty to immediately inform the Board of any potential conflicts so that these may be considered. There is a formal register of conflicts in which any authorised conflicts of interest would be recorded. During the year, one of the Directors declared a potential conflict of interest; the Director recused himself from any meetings at which the matter was addressed and was not involved in any discussion or decision in relation to it.

The Board has considered the external appointments of the Directors, details of which are included in their biographies on pages 50 to 51, and is satisfied that all Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

Board performance and evaluation

In accordance with the Code, the Board has established a formal process for the rigorous evaluation of the performance of the Board, its Committees and individual Directors on an annual basis. This year the evaluation was conducted internally using an online questionnaire platform (Diligent Evaluations Module) within the Board documentation software system. The questionnaire covered the key areas of Board Meetings and Materials; Strategy; Board Composition/Relationships; Risk; Chairman; Shareholders; and Structure/Performance of Board Committees.

The outcome was presented to the Board and discussed openly and fully at the March 2020 Board meeting. The overall assessment of the Board and each of its Committees and members was that the Board continues to function effectively to a high standard, with all members contributing fully and constructively. Areas which the Board should continue to focus on included other methods of measuring/testing strategy and ensuring this was matched with appropriate human resource capability; diversity of the Board and within the Group; and additional integration of the Non-Executive Directors with senior management.

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

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

Induction and training

On appointment, each Director takes part in an induction programme through which they are provided with comprehensive and up-to-date information relating to the following:

- the Group and its business
- the role of the Board and the matters reserved for its decision
- the Terms of Reference and membership of the Board and Committees
- the powers delegated to those Committees

Board effectiveness continued

Induction and training continued

The programme includes meetings with other Directors, the Executive Team and senior management members. In addition, each new Director is provided with guidance from the Company Secretary on the Group's corporate governance practices and procedures, regulatory obligations applicable to the Board and briefings on wider responsibilities on areas such as Directors' duties. The induction programme also includes an introduction to the Market Abuse Regulation and the AIM Rules by the Company's NOMAD. Non-Executive Directors are encouraged to visit key locations and to meet with senior management, thereby extending the breadth and depth of their understanding of the Group's business.

Throughout their period in office, the Directors are updated on the Group's business, the competitive market, corporate social responsibility matters and other changes affecting the Group and the sectors in which the Group operates.

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

Indemnification of Directors

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

Accountability

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. The statement setting out the reasons why the Board continues to adopt the going concern basis for preparing the financial statements is included in the Directors' Report on page 81.

Internal control system

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

- a formal review of the Group's risk profile to assess potential risk areas and action plans to address these risks
- review of the strategic and annual internal audit plan
- review of the external audit strategy and plan
- review of the implementation of internal audit recommendations
- review and approval of the Group authority matrix
- review, on an annual basis, of Group policies in relation to whistleblowing, anti-bribery and corruption, and prevention of fraud

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

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

During the year there have been no significant failings, weaknesses or any material internal control failures that have been identified and which require reporting in the 2019/20 Annual Report and Accounts.

Communications with shareholders

Throughout the year, the Executive Directors and the Chairman meet with investors to discuss matters relevant to the Company. Ordinarily, the Board would use its Annual General Meeting (AGM) as a forum to respond to questions from shareholders. Given the guidance issued by the FRC and the UK Government's restrictions on public gatherings currently in place, the Board has determined that the 2020 AGM should be a closed meeting. To allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting, appropriate questions on the business of the meeting can be emailed to investors@scapa.com; please include a Shareholder Reference Number in any correspondence.

W Baker
Company Secretary
23 June 2020

STATEMENT BY THE DIRECTORS IN RELATION TO THEIR STATUTORY DUTY IN ACCORDANCE WITH S172(1) OF THE COMPANIES ACT 2006 ('THE ACT')

The Directors and the Board as a whole consider that they have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172(1) (a) to (f) of the Act) in the decisions taken during the year ended 31 March 2020.

The Directors fulfil their duty by ensuring that there is a robust governance structure and process running through all aspects of the Group's operations. The Group's strategy is determined by the Board following careful consideration of materials and presentations from the Group Executive Team. This encompasses the impact on each of our main stakeholders and ensures alignment to the Group's culture which is defined in The Scapa Way and our Ten Guiding Principles. The Board undertakes site visits and receives regular updates on the markets in which the business operates. The Board's annual programme ensures that it regularly meets members of the Leadership Team to assess progress on strategy and specific projects. Members of the Board also attend the annual Leadership Conference to further engage with management. The Group engages with its key stakeholders in a variety of ways, explained in more detail in the Strategic Report (pages 18 and 19). The Group's focus on sustainability and EHS issues is particularly relevant to our stakeholders and these are summarised in detail on pages 42 to 48. As referred to on page 18, stakeholders' interests are considered by the Board through a combination of Executive and management reports and presentations with strategic progress measured against agreed KPIs.

AN EFFECTIVE SYSTEM OF RISK MANAGEMENT AND CONTROL

The Committee has remained focused on ensuring that the Group has an effective system of risk management and control and for ensuring it continues to meet the required standards.

David Blackwood
Chairman of the Audit and Risk Committee

COMMITTEE MEMBERSHIP

The members of the Committee who served during the year to 31 March 2020 are:

- David Blackwood (Chairman)
- Brendan McAtamney
- Tim Miller (appointed 20 January 2020)
- Pierre Guyot (resigned 29 February 2020)
- Juliet Thompson (resigned 30 June 2019)

Meeting attendance*

David Blackwood	4/4
Brendan McAtamney	4/4
Tim Miller[1]	1/1
Pierre Guyot[2]	3/3
Juliet Thompson[3]	1/1

* There were four meetings during the year

1 Appointed 20 January 2020

2 Resigned 29 February 2020

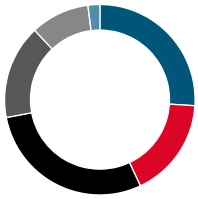
3 Resigned 30 June 2019

ACTIVITIES

The key activities of the Committee during the year were:

- Review of the financial statements and reports in line with UK Corporate Governance framework;
- Review of the interim accounts, Annual Report and related statements;
- Review of the independence, objectivity and performance of the external auditor, audit fees and external audit strategy;
- Review of the performance of internal audit and evaluation of the strategic and annual internal audit plan;
- Review of internal controls;
- Ongoing review of compliance with the Group's processes to prevent and detect bribery and corruption;
- Review of the key risks (financial and operational) facing the Group and the ongoing development and implementation of action plans to mitigate these risks;
- Review and approval of the Group's insurance coverage; and
- Implementation of the Committee's Terms of Reference to reflect changes to the 2018 Corporate Governance Code.

ESTIMATED ALLOCATION OF TIME



- Financial Reporting (26%)
- External Audit (17%)
- Internal Audit (29%)
- Internal Controls and Risk Management (16%)
- Insurance (10%)
- Terms of Reference (2%)

DEAR SHAREHOLDER

The Audit and Risk Committee ('the Committee') Report for the year ended 31 March 2020 is set out on the following pages 59 to 62. The Committee completed its work plan for the year and continuously reviewed internal control, risk, accounting policies and regulatory guidance.

There is nothing to bring to your attention as a result of the work plan. In summary, the Committee considers that it has delivered what it set out to do and has a clear plan for 2020/21. Given that this year's Annual General Meeting will be a closed meeting based on FRC guidance in response to COVID-19 and the UK Government's restrictions on public gatherings, I, together with members of the Committee, will be happy to respond to any questions shareholders wish to raise relating to the Committee's activities. Shareholders should email the Company at investors@scapa.com to raise such questions ahead of the Annual General Meeting.

Aims and objectives

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

Composition

I have been Chairman of the Committee since 1 June 2016, having joined the Company as a Non-Executive Director on 1 May 2016 and I am also the Senior Independent Director. On 13 May 2020, I was appointed Company Chairman of Connect Group PLC. I am a Non-Executive Director and the Audit Committee Chair at Dignity PLC, where I am also the Senior Independent Director, and I am also a Non-Executive Director and the Audit Committee Chair for Stobart Group plc. I was previously Chief Financial Officer of Synthomer plc, a global specialty chemicals business. Prior to that I spent 22 years with ICI plc, where I held a number of senior financial roles. I have also served on the Audit and Risk Committee of the Cabinet Office, and was a member of the FRC's Board for Actuarial Standards.

I am a Chartered Accountant (ICAEW) and a Fellow of the Association of Corporate Treasurers (FCT).

The Audit and Risk Committee also comprises Brendan McAtamney and Tim Miller. Brendan is currently Chief Executive Officer of UDG Healthcare plc, where he has served as an Executive Director since December 2013, having originally joined UDG as Chief Operations Officer in 2013. Tim is currently a Non-Executive Director and Remuneration Committee Chair of Clarkson plc and Equiniti Group plc. He is also a Non-Executive Director of Otis Gold Corporation, a resource company listed on the Toronto Stock Exchange. The majority of Tim's executive career has been within regulated industries. Both Brendan and Tim have wide-ranging business experience and critical sector knowledge giving deeper insight into the risks relating to the Healthcare business. Juliet Thompson retired in June 2019 and Pierre Guyot retired in February 2020. Biographical details of all current Committee members can be found on pages 50 to 51 of this report and also in the 'Our Leadership' section on the Company's website (www.scapa.com).

This relevant experience allows the members to:

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

The Company Secretary acts as the secretary to the Committee.

Meeting frequency and attendance

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

Others who are invited to attend meetings of the Committee:

- External Auditor – Deloitte LLP;
- Head of Group Risk & Assurance;
- Group Chairman;
- Group Chief Executive Officer;
- Chief Financial Officer; and
- Group Financial Controller.

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

The Committee's Terms of Reference are reviewed annually. This year's review resulted in amendments being made to the Terms to reflect changes to the 2018 Corporate Governance Code. The Terms will continue to be reviewed in line with the Code.

In summary, the Committee is required to:

- advise the Board on its assessment of the Company's emerging and principal risks and its overall risk appetite, tolerance and strategy, taking account of the current and prospective macro-economic and financial environment and other authoritative sources that may be relevant for the Group's risk policies;
- oversee and advise the Board on the current risk exposures of the Company and future risk strategy;
- oversee the activities of internal audit;
- review internal control policies and procedures for the identification, assessment and reporting of material financial and non-financial risks;
- review reports on any material breaches of risk limits and the adequacy of proposed actions;
- review the Company's procedures for detecting fraud;
- review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and
- review the effectiveness of the Group's financial reporting.

AUDIT AND RISK COMMITTEE ACTIVITIES

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

FINANCIAL STATEMENTS AND REPORTS

- Reviewed the IFRS 16 Leases new accounting policy and its impact on reporting requirements.
- Reviewed the interim and full year accounts and related statements and discussed:
  - key accounting judgements; and
  - the Income Statement for the year, specifically revenue, trading profit and foreign exchange.
- Reviewed and considered the significant issues in relation to the financial statements and how these have been addressed, including:
  - **Viability statement** – the 2018 UK Corporate Governance Code provision 31 has set out a requirement for the Directors to explain in the Annual Report how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate. The Committee reviews the analysis undertaken in relation to strategic risk management and risk assessment, risk appetite, internal control, risk and control reporting structure and the principal risks identified on an ongoing basis. This monitoring and review informs the statement which is documented annually.
  - **Pension liabilities** – the Group has a defined benefit pension scheme in the UK and smaller schemes in the US and Europe. Small changes to the assumptions used to value the retirement benefit obligations can have a significant impact on the financial position of the Group. The Committee reviews the assumptions put forward by the actuaries and reviews their reasonableness. The Committee reviews the assumptions by comparison to external benchmark data and also considers the adequacy of disclosures in respect of the sensitivity of the deficit to changes in these key assumptions.
  - **Inventory valuation** – inventory is a significant item on the Balance Sheet and therefore exposes the Group to risks around valuation and existence. The Committee reviews the year-end reports on inventory with particular focus on the level of provisioning and the results from the annual stock-takes.
  - **Exceptional and adjusting non-trading items** – the Committee received reports and challenged the basis and completeness of information. In particular, the Committee considered the nature of the items and determined whether separate disclosure was appropriate or not. The Committee discussed with management the key judgements behind all the exceptional items and agreed with their recommendations.
  - **Acquisition and fair value accounting** – valuing and assessing the assets procured as part of the acquisition of Crawford Manufacturing Ltd involved assumptions around the values and cash flows of both tangible and intangible assets. The Committee reviewed the fair value assumptions and discussed the reasonableness of the conclusions with senior management and the auditor.
  - **Carrying value of goodwill, intangible and fixed assets** – the Committee receives an annual update on the impairment reviews based on the recoverability determined on a value in use basis on each cash-generating unit (CGU) using the management approved forecasts for each CGU within the Group. These forecasts were also updated to include assumptions surrounding the COVID-19 pandemic so as to assess the potential impact for these CGUs.
- Reviewed the Annual Report and related statements and the Auditor's Report for 2019/20 to ensure that the report is fair, balanced and understandable.

EXTERNAL AUDIT

- Monitored and ensured the independence and objectivity of the external auditor in line with the requirements of the Revised Ethical Standard Code effective 15 March 2020.
- Reviewed and approved the external audit fees for 2019/20.
- Approved all non-audit service work exceeding £10,000 in line with the whitelist of approved services.
- Reviewed and approved the scope and methodology of the external audit strategy for 2019/20.
- Reviewed the performance of the external auditor and considered the reappointment of Deloitte LLP as auditor for 2019/20 and recommended its reappointment to the Board.

INTERNAL AUDIT

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

RISK MANAGEMENT

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

External audit

Effectiveness

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

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

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

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

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

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

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

Internal audit

Responsibilities

Internal audit at Scapa is managed and delivered by the Group Risk & Assurance team, assisted by outsourced and temporary resources as required. Against an agreed mandate, this function performs independent internal audits and facilitates standardised and structured risk assessment across the Group. Specialist internal audits are conducted by outsourced professionals under the direction of the Audit and Risk Committee.

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

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

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

The Head of Group Risk & Assurance is accountable to the Committee and has access to the Committee and its Chairman at any time during the year and will also meet with the Chairman of the Committee independently of management.

The Group Risk & Assurance team has no operational responsibility or authority over any of the activities it has reviewed during the year, nor has the team designed the control frameworks in place.

External audit governance

Auditor independence

The Committee continues to monitor the external auditor's compliance with applicable ethical guidance and guidelines and considers the independence and objectivity of the external auditor as part of the Committee's duties. The Committee has updated the Group policy on non-audit services for external auditors in line with the requirements of the Revised Ethical Standard Code effective from 15 March 2020 and operates within the requirements of the whitelist of allowable non-audit services. The Committee received and reviewed written confirmation from the external auditor on all relationships that, in its judgement, may bear on its independence. The external auditor has also confirmed that it considers itself independent within the meaning of UK regulatory and professional requirements.

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

The external auditor may be invited to provide services where their position as auditor renders them best placed to undertake the work. In order to safeguard the auditor's independence and objectivity, and in accordance with the FRC Revised Ethical Standard Code, the Group does not engage Deloitte for any non-audit services except where it is work that they must perform, or are clearly best suited and are permitted to perform, in line with the Ethical Standard. From FY21 Deloitte will only be allowed to perform Whitelist services.

Non-audit services up to £10,000, which comply with the above criteria, may be provided by the external auditor with authorisation in advance by the Chief Financial Officer, to an annual limit of £50,000.

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

Tendering policy and review of auditor effectiveness

Deloitte LLP was appointed as the Group's external auditor in 2011 after a competitive tendering exercise and has been the Group's external auditor for nine financial years. The current engagement partner, Christopher Robertson, has been in place for four years.

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

D C Blackwood
Chairman of the Audit and Risk Committee
23 June 2020

ENSURING STRONG AND RESPONSIBLE LEADERSHIP

The Board has the right skills and experience to direct the company in the successful execution of its strategy.

Larry Pentz
Chairman of the Nomination Committee

COMMITTEE MEMBERSHIP

The members of the Committee who served during the year to 31 March 2020 are:

- Larry Pentz (Chairman)
- David Blackwood
- Brendan McAtamney
- Tim Miller (appointed 20 January 2020)
- Pierre Guyot (resigned 29 February 2020)
- Juliet Thompson (resigned 30 June 2019)

Meeting attendance*

Larry Pentz	12/13
David Blackwood	12/13
Brendan McAtamney	12/13
Tim Miller[1]	3/3
Pierre Guyot[2]	9/10
Juliet Thompson[3]	5/5

* There were 13 meetings during the year

1 Appointed 20 January 2020

2 Resigned 29 February 2020

3 Resigned 30 June 2019

ACTIVITIES

The key activities of the Committee during the year were:

- Chairman succession (the Chairman did not chair meetings which discussed this matter and was only involved in part of the process on invitation)
- Non-Executive Director succession
- Executive Director succession
- Board composition
- Executive and senior talent succession planning and strategy
- Performance evaluation of the Board and Board Committees
- Recommendation of re-election and election of Board members at the 2019 AGM
- Review of the Committee's Terms of Reference to reflect changes to the 2018 Corporate Governance Code

ESTIMATED ALLOCATION OF TIME

- Performance Evaluation (15%)
- Executive and Senior Talent Strategy (40%)
- Succession Planning (40%)
- Terms of Reference (5%)

DEAR SHAREHOLDER

The Report of the Nomination Committee ('the Committee') for the year ended 31 March 2020 is set out below.

Aims and objectives

The Committee is responsible for ensuring the Company maintains the appropriate balance of skills and experience and has the right leadership in place to deliver the Group's strategic objectives. The aims and objectives of the Committee are set out in the Committee's Terms of Reference which can be found in the Group Corporate Governance section on the Company's website (www.scapa.com).

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

- regularly review the Board structure, size and composition (including the skills, knowledge, experience and diversity) and make recommendations to the Board with regard to any changes
- seek to appoint Directors with the appropriate mix of skills, knowledge and experience that the Board requires to ensure that it is effective in discharging its responsibilities
- review its own performance, constitution and Terms of Reference to ensure that it is operating at maximum effectiveness
- review the election or re-election of Directors at each Annual General Meeting
- meet at least twice yearly and on an ad hoc basis as required and be responsible for the nomination, for approval by the Board, of candidates for appointment to the Board
- give full consideration to succession planning for Directors and other senior executives together with the development of a diverse pipeline for succession
- review the time commitments required from the Directors to ensure they are able to fulfil their duties

Composition

I have been Chairman of the Committee since 31 March 2017. The other members of the Committee as at the date of this report are David Blackwood, Brendan McAtamney and Tim Miller (all of whom are Independent Non-Executive Directors). The Company Secretary acts as secretary to the Committee.

Biographical details of all Committee members can be found on pages 50 to 51 of this report and also in the 'Our Leadership' section on the Company's website (www.scapa.com).

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

Meeting frequency and attendance

The Committee is scheduled to meet at least twice each year, with other meetings being called as and when required. Only members of the Committee have the right to attend Committee meetings; however, other individuals such as the Group Chief Executive and external advisers may be invited to attend for all or any part of the meeting as appropriate. The Committee met 13 times during the year under review. Board succession was considered throughout the year which necessitated more meetings than those ordinarily scheduled.

Succession planning

During the year, the Committee primarily focused on Board succession and composition, with a number of changes taking effect as outlined below.

Juliet Thompson resigned on 30 June 2019 and Pierre Guyot resigned on 29 February 2020. Prior to Pierre's resignation, a recruitment search was undertaken with independent leadership search firm, Ridgeway Partners, for a Non-Executive Director. Female candidates were considered in the process but based on other criteria, including skillset and international industry experience, the search resulted in the appointment to the Board of Dr Tim Miller as a Non-Executive Director with effect from 20 January 2020. Tim also became Chairman of the Remuneration Committee and a member of the Audit and Risk and Nomination Committees upon his appointment and was recently appointed the Designated Non-Executive Director for Employee Engagement.

Tim's biographical details can be found on page 50 of this report and a resolution for his election as a Director will be proposed to shareholders at the Annual General Meeting on 7 August 2020.

As referenced earlier in my letter to shareholders, 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 retire from the Board. Mr Chris Brinsmead, has been appointed by the Board to succeed me as Chairman with effect from 7 August 2020, and Chris will offer himself for election as a Director at the AGM. Biographical details relating to Chris Brinsmead can be found in the Notice of the Annual General Meeting. All other current Directors will offer themselves for election or re-election at the AGM of the Company.

In accordance with good governance, and following a recommendation to the Board by the Committee, all other Directors will submit themselves for election at the AGM following their appointment and thereafter annually for re-election.

L C Pentz
Chairman of the Nomination Committee
23 June 2020

NOMINATION COMMITTEE ACTIVITIES

During the year under review, the Committee considered the following and, where appropriate, made recommendations to the Board:

- the outcome of the annual evaluation of the Board's and Board Committees' effectiveness
- succession planning of Non-Executive Directors which resulted in the nomination and appointment of Dr Tim Miller with effect from 20 January 2020
- the independence of the Non-Executive Directors
- the Committee's existing Terms of Reference which are reviewed on an annual basis. This year's review resulted in amendments being made to the Terms to reflect changes to the 2018 Corporate Governance Code. The Terms will continue to be reviewed in line with the Code
- the appointment/reappointment of Directors at the 2019 AGM
- the Board Diversity policy adopted by the Board in January 2014 and amended in March 2017. There were no proposed changes to the policy during the year. The policy is set out below and a copy is located in the Group Corporate Governance section on the Company's website (www.scapa.com)

BOARD DIVERSITY POLICY

The following is the Board's statement on diversity, which can also be found in the Group Corporate Governance section on the Company's website (www.scapa.com):

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

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

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

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

A CLEAR POLICY THAT FOCUSES ON REWARDING SUSTAINED PERFORMANCE

We aim to ensure that remuneration arrangements enable the recruitment, motivation and retention of Senior Executives to deliver sustainable long-term performance of the business.

Tim Miller
Chairman of the Remuneration Committee

COMMITTEE MEMBERSHIP

The members of the Committee who served during the year to 31 March 2020 are:

- Tim Miller (Chairman)
- Larry Pentz
- David Blackwood
- Brendan McAtamney
- Pierre Guyot (resigned 29 February 2020)
- Juliet Thompson (resigned 30 June 2019)

Meeting attendance*

Tim Miller[1]	1/1
Larry Pentz	9/9
David Blackwood	7/9
Brendan McAtamney	9/9
Pierre Guyot[2]	8/8
Juliet Thompson[3]	4/4

* There were nine meetings during the year

1 Appointed 20 January 2020

2 Resigned 29 February 2020

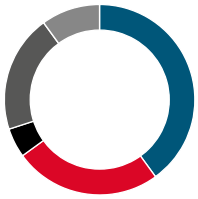
3 Resigned 30 June 2019

ACTIVITIES

The key activities of the Committee during the year were:

- proposed changes to the Directors' Remuneration Policy, to align with the 2018 UK Corporate Governance Code ('the Code'), which was subsequently approved by shareholders at the 2019 AGM
- consideration of the levels of pay, benefits and terms for the Executive Directors and Executive Team
- consideration and approval of appointment and exit terms for Senior Executives
- agreement on the Executive bonus arrangements and targets for the year
- measurement and monitoring of unvested LTIP awards
- review of the Committee's Terms of Reference to reflect changes to the Code
- assessment of performance targets and outcome against annual bonus and LTIP targets for the Executive Directors and Executive Team
- approval of release of Tranche 1 VCP
- consideration and proposal of new Long-Term Incentive Plan, which was subsequently approved by shareholders at the 2019 AGM
- appointment of alternative remuneration advisers – following the FRC Revised Ethical Standard Code

ESTIMATED ALLOCATION OF TIME



- Directors' Remuneration Policy (40%)
- Reward and Targets (25%)
- Terms of Reference (5%)
- Executive Share Option (20%)
- Performance Evaluation (10%)

DEAR SHAREHOLDER

I was appointed Chairman of the Committee on 20 January 2020 and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2020.

In recognition of the significant changes introduced in the 2018 UK Corporate Governance Code ('the Code'), last year the Committee proposed changes to the Directors' Remuneration Policy which were approved at the 2019 AGM. The policy now principally includes changes, introduced by the Code, considered appropriate given the Company's size and AIM listing. In the financial year ended March 2021 the Committee has been and will continue to be mindful of the new environment resulting from the COVID-19 pandemic and will take this into account when applying the policy. The Committee will also continue to focus on simplicity and strategic alignment in addition to creating long-term alignment between management and its shareholders. We also recognise the importance of considering wider stakeholders, including our employees, in our decision-making processes. The Committee will work with the Company's human resource teams to ensure it can best support the Board in its new overarching responsibility to ensure workforce policies and practices are in line with culture and strategy, together with employee engagement to explain how Executive remuneration aligns with the wider Company pay policy, and we will report on our approach in due course.

This report sets out the activities of the Remuneration Committee for the year ended 31 March 2020. The report includes the Directors' Remuneration Policy and remuneration details for Scapa's Executive and Non-Executive Directors, and has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013, which the Company has voluntarily chosen to follow.

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

Our strategy

We have maintained a disciplined approach in executing our strategy to create a balanced portfolio of businesses in our chosen markets of Healthcare and Industrial; to develop and leverage strategic relationships with global market leaders; to expand scale and scope through acquisitions; and to continue to focus on efficiency improvement and cost control.

Executive remuneration and link to strategy

The Remuneration Policy focuses on rewarding sustained performance. It is our belief that Executives should be rewarded on the basis of their individual performance and the value created for shareholders. Variable elements of pay are therefore focused on simple and transparent measures of key strategic objectives, trading profit, adjusted EPS growth and sustainable growth in shareholder value. Bonus and long term incentive scheme targets are purposely designed to be challenging and drive the long-term success of the Group.

Remuneration outcomes financial year ended 2020

Full details of the decisions of the Committee made in the financial year ended 2020 are set out in the Directors' Annual Remuneration Report on pages 74 to 80. The Group has reported results achieving £27.8m trading profit on revenue of £320.6m. Trading profit margin was 8.7% and adjusted EPS was 12.4p.

Outcomes relating to the Chief Executive Officer

In May 2019, after ten years with the Company, Heejae Chae announced that he would be stepping down as Chief Executive Officer. Shortly following this announcement, ConvaTec Inc, unexpectedly and without cause, terminated a material long-term supply contract. In response to the situation that the Company suddenly found itself, the Company Chairman consulted with major shareholders who supported the Board's consensus that Heejae was the most appropriate person to lead the Group and to continue to execute its strategy, and that it was essential that Heejae be retained. Accordingly, Heejae accepted the Board's invitation to remain as Chief Executive Officer and he retracted his intention to step down.

At the time and having considered the base salary levels required to bring in a high calibre new Chief Executive with relevant experience to run a diversified, international healthcare and industrial group, it became clear that Heejae's salary prior to his resignation was not competitive for an international business of Scapa's size and scale. To secure the services of Heejae, it was necessary to address the salary positioning together with other measures to mitigate retention risk for the benefit of Scapa and its stakeholders. This was a view shared by Scapa's major shareholders.

Accordingly, last year the Committee decided to increase Heejae's base salary from £463,000 to £560,000 from 10 June 2019. The Committee, having previously taken soundings from major shareholders and having taken into account market data for a company of Scapa's size and complexity, considered this salary positioning to be fair for the role being undertaken. The Committee is aware of the dangers of relying on market data to support pay increases but, in this case, the salary reflected the market rate required to secure a proven CEO at a critical time. As part of the terms of the negotiation, Heejae was also awarded a one-off bonus representing 100% of his base salary – the bonus is deliverable in shares, with two-thirds released in June 2021 and the remaining one-third to be released in June 2022, subject to Heejae remaining an employee of the Company. This bonus provides an important retention mechanism for the Company.

During the year, Heejae received an LTIP based on 200% of salary using the upper limit under the shareholder approved policy, pursuant to the Scapa Group plc 2011 Performance Share Plan (PSP). Reflected in the value of the award were extremely stretching EPS growth targets which were measured over a three-year period (FY20–FY22). The grant has a minimum threshold of 2019 EPS plus 25% plus three years compound RPI. Therefore in order for the award to vest, there would need to be significant EPS growth at the year ending 31 March 2022 which would place the Company in a similar position to that prior to the ConvaTec contract loss and thereby aligned Heejae's interests with shareholders in ensuring a strong recovery.

The Board agreed that the salary, and one-off bonus were essential to keep Heejae in the Scapa business and that the LTIP provides strong alignment by benefiting Heejae only if exceptional profit is delivered.

The Remuneration Committee recognises that Heejae's package was significantly enhanced as a result of the negotiation in 2019. Taking this into account, together with the COVID-19 impact on the business, the Remuneration Committee has determined the following for Heejae in 2021:

- his base salary will remain unchanged;
- he will not participate in a bonus scheme in 2021; and
- he will not receive an LTIP award in the current financial year ended 2021.

The Remuneration Committee believes that, in aggregate, the remuneration opportunities provided last year together with no bonus or LTIP in the current year are appropriate and not excessive in the context of needing to secure Heejae's services and aligning pay with the shareholder experience.

Remuneration outcomes financial year ended 2020 continued

The other remuneration outcomes for the financial year ending 2020 are set out below.

Incentive awards in 2020

LTIP awards were made to the other three Executive Directors, details of which can be found on page 75. Again reflected in the value of the awards were extremely stretching EPS growth targets which were measured over a three-year period (FY20–FY22). These grants have a minimum threshold of 2019 EPS plus 25% plus three years compound RPI. Therefore in order for these awards to vest, there would need to be significant EPS growth at the year ending 31 March 2022 which would place the Company in a similar position to that prior to the ConvaTec contract loss and thereby aligning the interests of the Executive Directors with shareholders in ensuring a strong recovery.

Awards granted in 2017 (audited information)

The Company has reviewed the Company's EPS growth over the three-year period ended 31 March 2020 to establish if the performance criteria for vesting awards under the Company's Performance Share Plan in 2017 had been achieved. The adjusted EPS growth over the three-year performance measurement period did not exceed the target and accordingly the 2017 LTIPs will lapse.

Value Creation Plan

The first tranche (Tranche 1) of the Value Creation Plan (VCP) established for the Executive Directors and Executive Team who qualified at the time of grant, vested on 31 March 2018, with the gateway share price of £3.00 having been exceeded. Pursuant to the VCP rules, the vested amount would be reduced by amounts vested under the PSP schemes in financial years 2018 and 2019 respectively. Shares held under Tranche 1 of the VCP were released on 1 April 2020. Tranche 2 of the VCP did not vest as the gateway share price of £4.00 per share was not achieved and options under Tranche 2 will now lapse.

Annual bonus

The annual bonus targets for the Executive Directors (excluding Heejae Chae) and Executive Team were set by the Committee at the beginning of the financial year. The Executive Directors could receive an annual bonus equivalent to 100% of salary for 2020; however, as the targets were not met no bonus payments will be made for this financial year.

Composition

I have been Chairman of the Committee since my appointment to the Board as a Non-Executive Director on 20 January 2020. The other members of the Committee as at the date of this report are Larry Pentz (Group Chairman), David Blackwood (Senior Independent Director) and Brendan McAtamney (Non-Executive Director). The Company Secretary acts as secretary to the Committee. Pierre Guyot assumed Interim Chairman of the Committee from 1 July 2019 until 19 January 2020 and resigned from the Board in February 2020. Juliet Thompson resigned in June 2019.

Biographical details of all current Committee members can be found on pages 50 to 51 of this report and also in the 'Our Leadership' section on the Company's website (www.scapa.com).

Meeting frequency and attendance

The Committee is scheduled to meet at least three times each year, with other meetings taking place as required. Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Group Chief Executive, HR Director and external advisers may be invited to attend for all or part of any meetings, as and when appropriate and necessary.

Transparency in disclosure

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

The Committee's report comprises three sections, namely:

- this statement, which sets out a summary of and explains the major decisions on Directors' remuneration;
- the current Directors' Remuneration Policy; and
- the Directors' Annual Remuneration Report, which provides details on how the Remuneration Policy will operate in the forthcoming year and states the remuneration earned by the Directors in the year to 31 March 2020.

The Directors' Annual Remuneration Report will be subject to an advisory vote by shareholders at the 2020 Annual General Meeting.

T Miller
Chairman of the Remuneration Committee
23 June 2020

Directors' remuneration policy

This report sets out the Company's policy on the remuneration of its Executive Directors and Non-Executive Directors (the 'policy') which was approved by shareholders at the 2019 Annual General Meeting and is effective for a period of up to three years from that date.

The policy was updated to largely reflect those requirements of the 2018 Corporate Governance Code which the Board considered to be appropriate, given the size of the business and the Company's AIM listing. The policy will continue to be kept under review.

The main principles of the Remuneration Policy for the Executive Directors and Non-Executive Directors are set out below:

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

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

The table below sets out the key components of the policy for Executive and Non-Executive Directors' remuneration:

Components of remuneration

Purpose	Operation	Maximum opportunity	Performance measures
Salary			
Attract and retain the right calibre of senior executive required to support the long-term success of the business. Provide the basis for a competitive remuneration package.	Salaries are usually determined by reference to market data. Reflects individual experience, skills and role. Paid monthly. Reviewed annually by the Remuneration Committee with any changes normally becoming effective on 1 June for Executive Directors.	Increases will be made within the percentage range of salary increases awarded to the wider workforce of the Group. However, higher increases may be awarded in appropriate circumstances at the discretion of the Committee to take account of individual circumstances such as: • increase in responsibility; • development and performance in the role; • alignment to market level; and • changes in size or complexity of the Group.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension			
Provide a market competitive level of pension provision and allow Executive Directors to build long-term retirement savings.	Defined contribution based on a percentage of salary. Directors may elect to take all or part of their pension contribution as a cash supplement.	Up to 10% of salary for new Executive Directors. At the date of approval of this policy, the Company makes a contribution to Heejae Chae of 20% of salary and Oskar Zahn of 15% of salary. No element other than salary is pensionable.	None. Pension contribution is set at commencement of an individual's contract.

Components of remuneration continued

Purpose	Operation	Maximum opportunity	Performance measures
Benefits			
Protect against risks and provide other benefits reflecting the international aspects of Executive Directors' roles.	Current benefits include a car allowance paid monthly, private medical insurance in the UK, permanent health insurance and life assurance cover. Other benefits may be paid if the Committee considers it appropriate. US Executive Directors participate in a US contributory private medical insurance plan.	Set at a level which the Remuneration Committee considers is appropriate taking into account comparable roles in companies of a similar size and complexity, and provides a sufficient level of benefit based on the role.	None.
Annual bonus			
Provide a direct link between measurable individual performance and rewards. Encourage the achievement of outstanding results aligned to the business strategy and achievement of planned business objectives.	Individual bonus decisions are based on Executive Directors' performance during the year, measured against Group and personal objectives. Performance measures may include both quantitative and qualitative, and both financial and non-financial. Bonus awards are made annually by the Committee following discussions with the Chairman (for the Chief Executive's bonus) and the Chief Executive (for other Executive Directors' bonuses). As at the date of approval of this policy, a newly-appointed Chief Executive Officer's bonus will normally comprise two-thirds cash settlement and one-third deferred into shares, typically up to a period of three years. Bonus awards for other Executive Directors exceeding 100% of base salary will be deferred into shares, typically up to a period of three years. Recovery provisions apply as referred to on page 73.	The value of any annual bonus is limited to a percentage of salary. As at the date of approval of this policy, the maximum percentage opportunity is up to 200% of base salary. However, in normal circumstances the maximum annual opportunity will be up to 185% of base salary. The additional opportunity to earn the overall maximum will only be used if exceptional outperformance of targets is achieved.	Performance is assessed using specific metrics set by the Remuneration Committee, which may include Group trading profit improvement. Where more than one measure applies the Remuneration Committee will determine its weighting. The measures and targets are set annually by the Committee in advance of each grant. The measures that apply are set out in the relevant Directors' Annual Remuneration Report. Measures for future years will be described in the Directors' Annual Remuneration Report for the relevant year. The annual bonus is a discretionary plan and the Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate.

Purpose	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan award			
Reward execution of Scapa's strategy and growth in shareholder value over a multiple-year period. Long-term performance measurement discourages excessive risk-taking and inappropriate short-term behaviours, and encourages Executive Directors and Senior Executives to take a long-term view by aligning their interests with those of shareholders. The LTIP is designed to retain Executive Directors and Senior Executives over the performance period of the awards.	LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Chief Executive's award) and the Chief Executive (for the other Executive Directors' and Senior Executives' awards). Awards may be granted in the form of conditional shares, nil cost options or other share options. Achievement of stretching performance measures determines whether and to what extent LTIP awards will vest. Awards vest three years after the date of the award, subject to achievement of performance criteria. At vesting, the LTIP awards are ordinarily satisfied in Scapa shares but the Committee has the discretion to satisfy in cash or part cash if it deems it appropriate circumstances. Awards will typically lapse on termination of employment, although the Committee may determine that awards may vest after termination of employment, in accordance with the plan rules and taking into account performance between the date of grant and date of termination of employment. In the event of a change of control of the Company, awards shall vest and be exercisable. Recovery provisions apply as set out on page 73.	Awards are made as a percentage of base salary up to a maximum of 200%. In the absence of exceptional circumstances which the Committee considers warrant additional levels of award, the LTIP awards will be granted at not more than 150% of salary each year. LTIP awards issued prior to date of approval of this policy will be granted at not more than 100% of salary. The Committee has discretion to award additional shares (or equivalent cash amount) to reflect the value of dividend paid on some or all of the shares vesting up to the end of the performance period.	Performance is assessed against delivery of long-term financial performance. Existing awards vest against growth in EPS. Alternative or additional criteria may be used to determine future awards. The Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate.
Value Creation Plan			
Reward the Executive Directors and other Senior Executives to create exceptional and sustainable increases in shareholder value during the five-year period to 31 March 2020. No further awards will be made under the Value Creation Plan.	In 2015, awards were made by the Committee to the Executive Directors and Executive Team at that time. Awards may vest before March 2020 in certain circumstances in accordance with the rules of the VCP in the event of a change of control, other relevant corporate event or in certain 'good leaver' circumstances. The Committee has discretion to operate the VCP in accordance with its rules as approved by shareholders.	Participants will share 5% of the increase in value created for shareholders above a share price of £1.95 up to a share price of £5.00. The Committee has discretion to award additional shares (or an equivalent cash amount) to reflect the value of dividends paid on some or all of the vested shares up until the release date.	Share price growth, measured on 31 March 2018 and 31 March 2020 using the average closing price in the 30 days commencing on the Measurement Date. Where an award vests early as a result of a change of control, or other relevant corporate event, or in 'good leaver' circumstances, the growth in share price will be measured in accordance with the VCP rules.

Components of remuneration continued

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

Recruitment remuneration arrangements

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

Recovery – malus and clawback

The 2019 Long Term Incentive Plan and Bonus Plans incorporate malus and clawback provisions. Triggers and timescales that will operate will be included in plan documentation for the Bonus Plan, including cash and deferred shares and the Long Term Incentive Plan.

Director shareholding guidelines

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

Executive Director service contracts and termination payments

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

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

External appointments

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

Remuneration policy for the Chairman and Non-Executive Directors

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

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

The remuneration of the Non-Executive Directors is a matter reserved for the Executive Directors of the Board.

The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual and market practice in comparable companies. The Chairman's fee was reviewed by an Executive Sub-Committee of the Board in November 2019 and was increased from £125,000 per annum to £128,000 per annum with effect from 1 December 2019.

The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and Chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Non-Executive Directors' fee structure was also reviewed by an Executive Sub-Committee of the Board in November 2019 and the following fee structure was implemented with effect from 1 December 2019:

- Basic fee – £44,000 (an increase of £2,000 per annum)
- Committee Chairman fee – £6,000 (no increase)
- Senior Independent Director fee – £3,000 (no increase)

Following the appointment of a Designated Non-Executive Director for Employee Engagement in May 2020, an Executive Sub-Committee of the Board reviewed the additional fee for this role and the following was implemented with effect from 1 May 2020:

- Designated Non-Executive Director for Employee Engagement – £3,000

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

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 March 2019 and 2020:

	Salary/fees £'000		Benefits[1] £'000		Bonus £'000		PSP awards £'000		Pension £'000		Total £'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Directors												
H R Chae	**541,346**	455,500	**24,911**	24,948	**–**	–	**–**	663,173	**108,269**	91,100	**674,526**	1,234,721
O Zahn[2]	**350,000**	150,000	**13,581**	6,798	**–**	100,000	**–**	–	**52,500**	22,500	**416,081**	279,298
S Demirdogen	**328,799**	272,436	**26,695**	20,709	**90,551**	87,121	**–**	–	**16,897**	10,198	**462,942**	390,464
J Doherty[3]	**344,560**	58,275	**27,215**	3,252	**–**	37,879	**–**	–	**12,437**	–	**384,212**	99,406
G S Hardcastle[4]	**–**	169,167	**–**	10,204	**–**	–	**–**	–	**–**	33,833	**–**	213,204
Non-Executive Directors												
L C Pentz	**126,000**	125,000	**–**	–	**–**	–	**–**	–	**–**	–	**126,000**	125,000
D C Blackwood	**48,667**	48,000	**–**	–	**–**	–	**–**	–	**–**	–	**48,667**	48,000
B McAtamney	**42,667**	42,000	**–**	–	**–**	–	**–**	–	**–**	–	**42,667**	42,000
T Miller[5]	**10,256**	–	**–**	–	**–**	–	**–**	–	**–**	–	**10,256**	–
P Guyot[6]	**43,000**	42,000	**–**	–	**–**	–	**–**	–	**–**	–	**43,000**	42,000
J Thompson[7]	**12,000**	9,662	**–**	–	**–**	–	**–**	–	**–**	–	**12,000**	9,662
M T Sawkins[8]	**–**	36,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	36,000
R J Perry[9]	**–**	13,327	**–**	–	**–**	–	**–**	–	**–**	–	**–**	13,327

1 Benefits include all tax assessable benefits arising from the individual's employment, including car allowance, private healthcare and permanent health insurance

2 Oskar Zahn was granted a one-off bonus payment of £100,000, of which £50,000 was paid in October 2018 when he joined the Company and the balance payment in December 2018. This payment was in lieu of the bonus that Oskar forfeited upon leaving his previous employer

3 Joe Doherty received a payment of £37,879 (US$50,000) in July 2019 in lieu of a bonus payment which he forfeited upon leaving his previous employer

4 Resigned from the Board 1 October 2018 and from the Company 30 November 2018 – includes all payments made in the period

5 Appointed as a Non-Executive Director 20 January 2020

6 Resigned 29 February 2020

7 Resigned 30 June 2019

8 Retired 31 December 2018

9 Retired 17 July 2018

Additional disclosures for single figure for total remuneration to 31 March 2020

Salary

The salary of Heejae Chae, Chief Executive Officer, was £463,000 (on an annualised basis) from 1 April to 9 June 2019 and was increased by 20.95% to £560,000 per annum with effect from 10 June 2019 (an explanation for the salary increase can be found on page 67 under Remuneration Outcomes Financial Year Ending 2020). In April 2020 and in response to COVID-19 Heejae Chae volunteered a 20% salary reduction for three months.

Sevan Demirdogen received a payment of £87,121 (US$115,000) in April 2019, and a further payment of £90,551 (US$115,000) in April 2020, which represented payments in lieu of the value of the Restricted Share Awards which Sevan forfeited upon leaving his previous employer in 2018.

Pension contributions

The Company pays contractual contributions or cash in lieu equivalent to 20% and 15% of salary to Heejae Chae and Oskar Zahn respectively.

Sevan Demirdogen and Joe Doherty (both US citizens) received 4% of salary for a 401k match.

Annual performance bonus

The 2020 bonus for the Executive Directors was based on the Group's gateway target with a maximum potential payout of 100% of salary. The actual target range has not been disclosed because the Board considers this to be commercially sensitive information. As the target was not achieved, no bonus payments will be made for this financial year.

Non-Executive Director fees

With effect from 1 December 2019, fees payable to the Non-Executive Directors increased from £42,000 to £44,000 per annum. The additional fee for chairing a Committee remained at £6,000 per annum and the fee for the role of Senior Independent Director remained at £3,000 per annum. With effect from 1 May 2020, the additional fee for the role of Designated Non-Executive Director for Employee Engagement was set at £3,000 per annum. In response to the impact of COVID-19 on the business, the Non-Executive Directors have volunteered a 20% reduction in fee for three months.

Long-term incentives

Performance Share Plan 2011 (PSP)

PSP is a long-term incentive for Executive Directors, the Executive Team and key members of the Leadership Team. It was designed to encourage participants to deliver sustained profitable growth and enhanced shareholder value. During the financial year ended 31 March 2020, share options were granted to Heejae Chae based on 200% of salary. In addition, Oskar Zahn, Sevan Demirdogen and Joe Doherty each received exceptional awards based on 150% of their respective salaries. Reflected in the value of the awards were extremely stretching EPS growth targets which were measured over a three-year period (FY20–FY22). Therefore in order for these awards to vest, there would need to be significant EPS growth at the year ending 31 March 2022 which would place the Company in a similar position to that prior to the ConvaTec contract loss and thereby aligning the interests of the Executive Directors with shareholders in ensuring a strong recovery. When determining the trading EPS growth, the impact of material acquisitions, disposals and changes in the issued share capital will be disregarded to ensure that they do not artificially affect the EPS measurement.

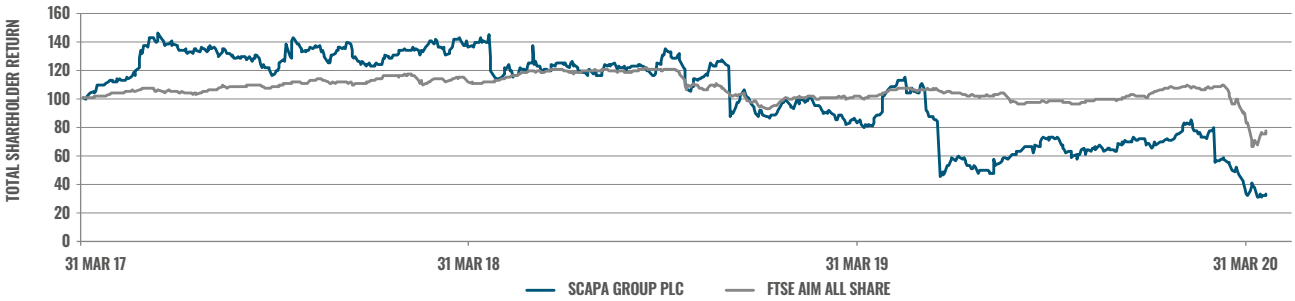
Awards granted in 2017 (audited information)

The PSP award in 2017 was based on adjusted EPS growth over the three-year period ending 31 March 2020. The adjusted EPS in March 2017 was 14.8p. The table below sets out achievement against targets for the EPS measure:

EPS target (p)	Award vesting (%)	Adjusted EPS achieved (p)	Resulting level of award (% of maximum opportunity)
3-year RPI +40%	Nil	12.4p	Nil

Total shareholder return (three years)

The Company's share price over the three-year measurement period fell from 353.8p to 111.8p and market capitalisation reduced from £538.9m to £173.6m, with £11.2m returned to shareholders by way of dividend.



Awards granted (audited information)

The following PSP awards were made in the year to 31 March 2020:

Director	Number of shares awarded	Vesting date
H R Chae	550,369	20 June 2022
O Zahn	257,985	20 June 2022
S Demirdogen	218,400	20 June 2022
J Doherty	218,400	20 June 2022

No variations were made to the terms of the awards in the year.

The awards were made on 20 June 2019 and the closing share price used for the awards was 203.5p.

Long-term incentives continued

Awards granted (audited information) continued

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

	Adjusted 2017 EPS	Award 2017* vesting	Adjusted 2018 EPS*	Award 2018* vesting	Adjusted 2019 EPS*	Award 2019* vesting	Adjusted 2020 EPS*	Award 2020* vesting
	3-year RPI +25%	25%	3-year RPI +25%	25%	3-year RPI +25%	25%	3-year RPI +25%	25%
	3-year RPI +40%	100%	3-year RPI +40%	100%	3-year RPI +40%	100%	3-year RPI +40%	100%
Adjusted EPS at	**31 March 2019**		**31 March 2020**		**31 March 2021**		**31 March 2022**	

* Straight-line vesting occurs between these points

Value Creation Plan (VCP)

The Scapa Group plc 2015 Value Creation Plan was approved by shareholders in General Meeting on 16 November 2015 ('the Plan'). Participants of the scheme were the Executive Directors and members of the Executive Team who qualified at the time. The Plan was intended to directly align Senior Executives' interests with those of shareholders by connecting remuneration specifically with shareholder value. The maximum pool available to all participants was 5% of the value created above a share price of £1.95 up to a share price of £5.00. Entitlements under the Plan were awarded in February 2016 and are set out below. The Plan included an overall cap on the value of Company shares that could be delivered, as well as an 'offset' mechanism whereby any shares delivered under the Plan were reduced by the value of any shares that vested pursuant to awards made under the PSP in the financial years ending 31 March 2016, 2017 and 2018.

The Plan rewarded participants for creating value through growth in the Company's share price in excess of £1.95 and up to £5.00 per share, with Tranche 1 measured on 31 March 2018 and Tranche 2 measured on 31 March 2020 (each a 'Measurement Date') and subject to gateway share price targets of £3.00 on the first Measurement Date and £4.00 on the second Measurement Date. The gateway target of £3.00 on 31 March 2018 was met and accordingly awards vested in respect of the first Measurement Date. The number of shares awarded under Tranche 1 has been reduced to reflect the share awards that have vested under the PSP awards granted in July 2015 which vested in July 2018 and PSP awards granted in July 2016 which vested in July 2019. Shares awarded under Tranche 1 were subject to a 24-month holding period and were subsequently released for exercise on 1 April 2020.

Upon Tranche 1 of the vesting, the number of shares that Heejae Chae qualified for was 1.8 million; however, as referenced above, the VCP vested amount was reduced to reflect the shares vesting under the PSP scheme in FY18 and FY19. Accordingly, the number of shares that Heejae Chae qualified for was 1.6 million.

As the gateway target for Tranche 2 of £4.00 per share was not met on 31 March 2020, all awards under Tranche 2 lapsed.

No further awards were granted under the VCP and no further awards will be made under this plan.

2019 Long Term Incentive Plan (LTIP)

The 2019 LTIP was adopted by shareholders at the 2019 Annual General Meeting in line with the Company's intention to operate under one long-term incentive scheme and will ultimately replace the 2011 PSP and the 2015 VCP. No awards were made under the 2019 LTIP during the year ended 31 March 2020.

CEO bonus

As explained on page 67 of the Remuneration Report, following Heejae Chae agreeing to retract his notice the Committee felt that it was necessary to address measures to mitigate retention risk for the benefit of Scapa and its stakeholders. This was a view shared by Scapa's major shareholders. As part of the terms of the negotiation, Heejae was awarded a one-off bonus representing 100% of his base salary. The bonus is deliverable in shares, with two-thirds released in June 2021 and the remaining one-third to be released in June 2022, subject to Heejae remaining an employee of the Company. This bonus provides an important retention mechanism for the Company.

Dilution limits

The Company's current share plans are subject to dilution limits, approved by shareholders at the Company's 2011 Annual General Meeting, that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital.

On the assumption that all outstanding awards (excluding shares awarded under the VCP) vest and will be exercised, and including all exercised awards as at 31 March 2020, the Company will have utilised 8.2% of the 10% dilution limit pursuant to the Investment Association Principles.

SAYE scheme (audited information)

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

Director	Shares under option at 31 March 2019	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option at 31 March 2020
H R Chae	3,296	–	–	–	3,296

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

Change in remuneration of Chief Executive compared to Group employees

The table below sets out the increase in remuneration of the Chief Executive and that of the Leadership Team, which comprises 30 employees (excluding new starters) during the year:

	Percentage change in remuneration in 2019 compared with remuneration in 2020	
	Chief Executive	Leadership Team
Salary/fees	20.95%*	4.1%
Benefits	(0.2%)	–
Annual bonus	0.0%	(16.1%)
Total remuneration**	18.0%	3.6%

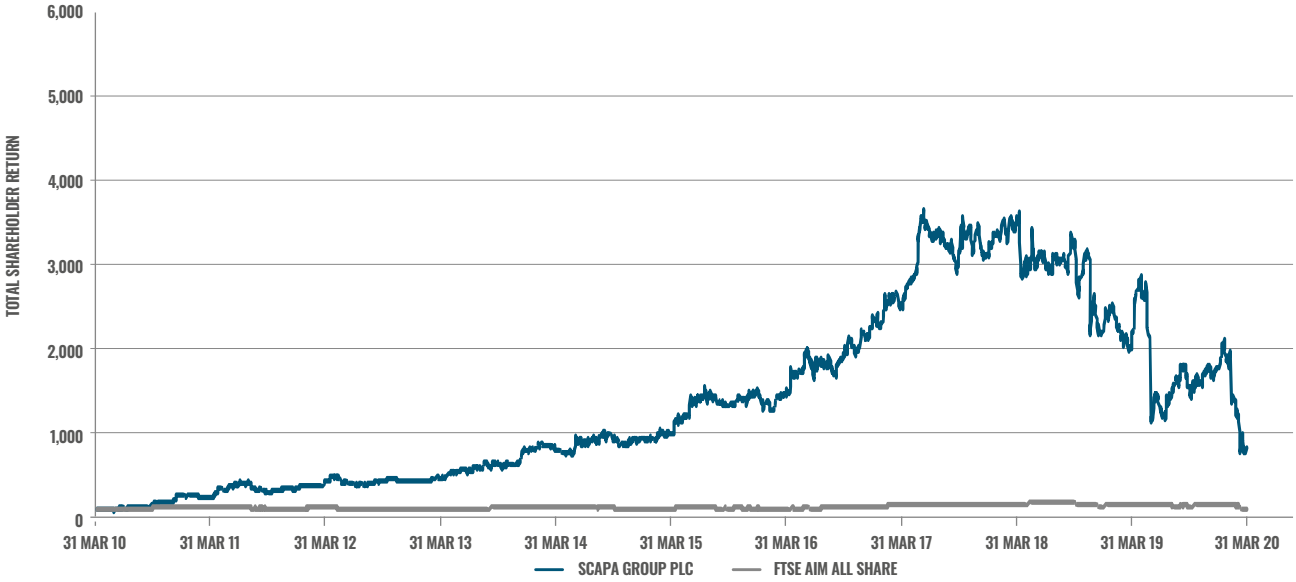
* The salary increase reflects the decision of the Remuneration Committee and Board at the time when Mr Chae retracted his resignation in June 2019, an explanation for which is provided on page 67

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

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

Total shareholder return (ten years)

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



Historical Chief Executive remuneration

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

H R Chae	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Chief Executive single figure of remuneration (£)	521,973	598,288	993,945	1,169,004	854,681	3,225,419	3,472,881	2,355,138	1,234,721	**674,526**
Annual bonus payout (% of target)	61%	66%	76%	100%	100%	100%	100%	60%	0%	**0%**
LTIP vesting (% of maximum opportunity)	n/a	n/a	100%	0%	0%	100%	100%	100%	100%	**0%**

Directors' service contracts

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

	Effective date of service contract/ letter of appointment	Expiry date of current term/ notice period
Executive Directors		
H R Chae	7 September 2009	No specified term, notice period 12 months
O Zahn	1 October 2018	No specified term, notice period 12 months
S Demirdogen[1]	21 January 2019	No specified term, notice period 6 months
J Doherty[2]	21 January 2019	No specified term, notice period 6 months
Non-Executive Directors		
L C Pentz	3 January 2017	AGM 2023, notice period 3 months
D C Blackwood	1 May 2016	AGM 2022, notice period 3 months
B McAtamney	1 February 2018	AGM 2021, notice period 3 months
T Miller	20 January 2020	AGM 2023, notice period 3 months
P Guyot[3]	8 January 2018	–
J Thompson[4]	21 January 2019	–

1 Resigned from the Board 4 May 2020, remains an employee until 1 November 2020

2 Resigned from the Board 4 May 2020, remains an employee until 31 July 2020

3 Resigned from the Board 29 February 2020

4 Resigned from the Board 29 February 2020

Statement of shareholder voting

The results of the vote on the Remuneration Report at the Company's 2019 Annual General Meeting are set out in the table below:

Votes cast	Votes for		Votes against		Votes withheld
Number	Number	%	Number	%	Number
99,804,792	85,672,812	85.84	14,131,980	14.16	303,745

Relative importance of spend on pay

The table below sets out the actual expenditure of the Company and difference in spend in 2019 and 2020 on total pay costs of the Group's employees, trading profit before income tax and distributions to shareholders:

	For the year to 31 March 2020 £m	For the year to 31 March 2019 £m	% change
Total employee pay	**71.6**	68.7	4.2%
Trading profit	**28.7**	38.2	(27.2%)
Dividend	**4.5**	3.7	21.6%

Directors' shareholdings and interests in shares

The following table sets out the shareholdings and beneficial interests of the Directors and their connected persons in Scapa's shares as at 31 March 2020 and 31 March 2019:

	31 March 2020					31 March 2019				
	Shares	SAYE		Performance Share Plan		Shares	SAYE		Performance Share Plan	
H R Chae	**981,467**	**2018/19**	**3,296**	**2016/17**	**152,613**	871,767	2015/16	–		
				2017/18	**92,827**		2018/19	3,296	2015/16	–
				2018/19	**106,991**				2016/17	152,613
				2019/20	**550,369**				2017/18	92,827
									2018/19	106,991
O Zahn	**9,300**		**–**	**2018/19**	**70,855**	1,000		–	2018/19	70,855
			–	**2019/20**	**257,985**					
S Demirdogen	**10,000**		**–**	**2018/19**	**48,986**	5,000		–	2018/19	48,986
			–	**2019/20**	**218,400**					
J Doherty	**–**		**–**	**2019/20**	**218,400**	–		–	–	–
L C Pentz	**27,000**					10,000				
D C Blackwood	**15,128**					15,128				
B McAtamney	**14,150**					14,150				
T Miller[1]	**–**					–				
P Guyot[2]	**30,000**					15,000				
J Thompson[3]	**–**					–				
	1,087,045		**3,296**		**1,717,426**	932,045		3,296		472,272

1 Appointed 20 January 2020

2 Resigned 29 February 2020

3 Resigned 30 June 2019

Loss of office payments

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

Movements in share price during the year

The mid-market price of the Company's shares at the end of the financial year was 111.8p and the range of mid-market prices during the year was between 104.0p and 403.0p.

Advice received by the Committee

During the year, the Remuneration Committee was assisted in its work by Deloitte LLP which was appointed by the Board. The advice provided to the Remuneration Committee was limited to technical advice on the reporting regulations in connection with the disclosure of Directors' remuneration, market practice developments in executive pay and the operation of Scapa's share plans. As Deloitte LLP remains the Company's auditor, the Remuneration Committee recently reviewed the Company's remuneration adviser and based on the FRC's Revised Ethical Standard Code for the provision of non-audit services to Public Interest Entities, a recommendation was made to the Board, which it approved, that FIT be appointed the Company's remuneration adviser.

Deloitte LLP's fees for providing advice to the Company during the year were charged on a time and materials basis and were £30,500 (+VAT). The Remuneration Committee is satisfied that all advice received was objective and independent.

Statement of implementation of Remuneration Policy in the following financial year

Components of remuneration

Effective from 10 June 2019, the salary of Heejae Chae, Chief Executive Officer, is £560,000.

The salary of the Chief Financial Officer is £350,000 with effect from 1 April 2019.

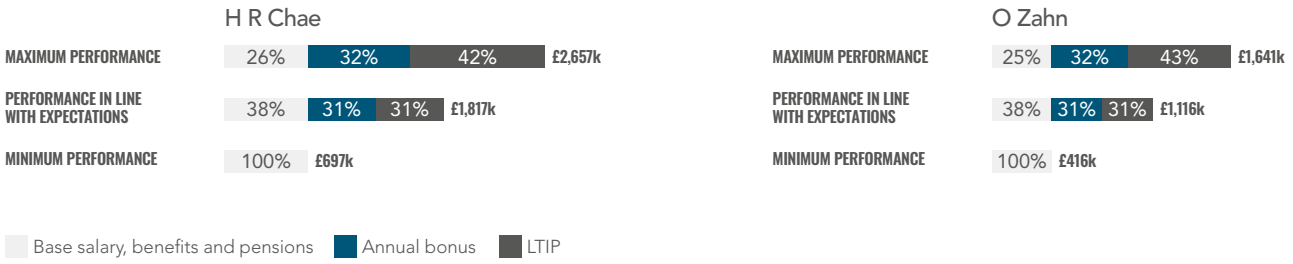
The salary of the President & Executive Vice-President* was US$400,000.

The salary of the Healthcare President* was US$400,000.

Pensions and benefits are in line with policy.

The performance criteria expected to apply to existing awards under the Performance Share Plans will remain adjusted EPS performance criteria.

A Long-Term Incentive Plan (LTIP) award is expected to be made in the financial year ending 2021 of 100% of salary to Oskar Zahn. The performance criteria expected to apply to such LTIP award will be 50% relative TSR to the FTSE Small Cap and 50% EPS growth.



* Joe Doherty, Healthcare President, and Sevan Demirdogen, President & Executive Vice-President, resigned as Directors on 4 May 2020

Illustrations of application of Remuneration Policy for 2020/21

In illustrating the potential reward, it has been assumed that the LTIPs and bonuses have been awarded in August 2020, together with the following further assumptions:

	Fixed pay	CEO bonus*	Annual bonus	LTIP**
Minimum performance	Fixed elements of remuneration only – base salary (being salary as at 1 April 2020), benefits as disclosed in the single figure table on page 74 for the year 2019/20 (annualised where necessary) and pension	Grant of 297,714 shares in June 2021 subject to remaining an employee	–	No LTIP vesting
Performance in line with expectations			–	25% of award vesting for achieving a median ranking
Maximum performance			–	100% for an upper quartile ranking or higher

* Bonus based on 100% of CEO's salary applying share price on 8 June 2020. Two-thirds to be granted in 2021 and one-third in June 2022, subject to Heejae Chae remaining an employee. Please refer to page 67 for further details

** LTIP awards are assumed at face value with no share price movement included

This Remuneration Report was approved by the Board of Directors and signed on its behalf by:

T Miller
Chairman of the Remuneration Committee
23 June 2020

Other disclosures

Pages 81 to 83 inclusive (together with sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Principal activities and business review

Scapa Group plc is the holding company for a global group of companies operating in the manufacture of bonding products and adhesive components for applications in the Healthcare and Industrial markets. A review of the performance and future development of the Group's business is contained on pages 1 to 48 and forms part of this report.

Results and dividends

Trading profit was £27.8m (2019: £38.2m), a reduction of £10.4m. Exceptional expenses in the year were £68.4m (2019: £12.8m). No interim dividend was paid to shareholders (2019: £Nil). In view of COVID-19, the Directors have determined to suspend the recommendation of a final dividend for this financial year (2019: 2.9p).

A loss before tax of £51.0m (2019: £14.9m profit) was recorded for the year ended 31 March 2020, with basic and diluted loss per share of 31.9p and 31.2p respectively (2019: earnings per share of 5.3p and 5.2p respectively).

Going concern

In presenting the annual and interim financial statements, the Directors aim to present a fair, balanced and understandable assessment of the Group's position and prospects. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. In arriving at this conclusion, the Directors have considered the committed facility of £80m and also a subsequent £15m short-term loan facility which was agreed with the existing banking syndicate as a direct response to the COVID-19 pandemic; this facility is for a period of 12 months from June 2020. The committed facility of £80m is repayable in October 2022, when the facility matures after a five-year period. The overall facilities can be operated as contracted for at least twelve months from the date of this report as there is sufficient headroom in the facility covenants. In addition, the Group secured an equity placement of £32.6m gross equating to approximately 20% of the issued share capital in May 2020 to further enhance the Company's Balance Sheet. In performing this analysis the Directors reviewed downside sensitivity analysis over the forecast period which took into consideration the likely impact of the COVID-19 pandemic and other uncertainties arising from the current economic climate. The Group continues to adopt the going concern basis in preparing the financial statements.

Major interests in shares

The interests of the major shareholders notified to the Company pursuant to Chapter 5 of the Disclosure and Transparency Rules are:

No. of shares in issue at 23 June 2020 is 186,543,896 Name	No. of shares	% Issued share capital
Octopus Nominees Investments Ltd	15,928,172	8.54%
Paradice Investment Mgt Pty Ltd	12,186,793	6.53%
BlackRock Inc	11,663,776	6.25%
Invesco Ltd	9,665,876	5.18%
Allianz SE	9,354,359	5.01%
Rights & Issues Investment Trust PLC	8,000,000	4.29%
Investec Wealth & Investment Ltd	7,746,473	4.15%

Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in notes 26 and 27 to the Group financial statements on pages 126 to 128. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at General Meetings of the Company.

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

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

Subject to the provisions of the Company's Articles of Association and the Companies Act 2006, at a General Meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 7 August 2020 are set out in the Notice of Annual General Meeting.

Share options

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

Purchase of own shares

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

Annual General Meeting

The Annual General Meeting will be held on 7 August 2020 at the offices of Scapa Group plc, 997 Manchester Road, Ashton-under-Lyne, Manchester OL7 0ED. In light of the UK Government's restrictions on public gatherings, which is currently in place, the Board has determined that the meeting will be a closed meeting to ensure that the health and safety of our shareholders, Directors, employees and other key stakeholders is protected. The quorum will comprise a Director and employee. In the event that the arrangements for the AGM change due to the UK Government changing the current restrictions or implementing further measures relating to the holding of general meetings prior to the AGM (including the arrangements outlined above), the Company will issue a further communication via the regulatory news service and on its website at www.scapa.com.

Annual General Meeting continued

As in prior years voting will be by proxy. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in a separate document. The Board still wishes to use the AGM as a forum for shareholders to raise questions and therefore, in order to allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting, appropriate questions on the business of the meeting should be emailed to investors@scapa.com; please include a Shareholder Reference Number in any correspondence.

Significant agreements: change of control

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

Takeover directive

The Company has only one class of ordinary share and these shares have equal voting rights. A description of each Director's holding is disclosed on page 79. There are no other significant holdings of any individual.

Board of Directors

The names and biographical details of the current Director are shown on pages 50 to 51. In addition, Juliet Thompson served as a Non-Executive Director until 30 June 2019 and Pierre Guyot served as a Non-Executive Director until 29 February 2020. Sevan Demirdogen and Joseph Doherty served as Executive Directors until 4 May 2020.

At the Annual General Meeting, to be held on 7 August 2020, Dr Tim Miller will offer himself for election. Mr Chris Brinsmead, whose appointment having been approved by the Board effective from 7 August 2020, will offer himself for election as a Director. Mr Larry Pentz will retire at the AGM and will not be offering himself for re-election. All other members of the Board will offer themselves for re-election.

Appointment and replacement of Directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association, which can be found in the Group Corporate Governance section of the Company's website (www.scapa.com) and the Corporate Governance Statement on pages 52 to 58.

Employees and employment policies

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

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

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

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

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

The 2018 Sharesave three-year share option scheme was launched in March 2019 with a maturity date of 1 March 2022. At 31 March 2020, 173 employees were members of the scheme with options over 340,033 shares. Details of the Executive Directors' options are set out on page 79.

Business ethics

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

The Company and its employees subscribe to a Code of Conduct which encapsulates the standards of behaviours expected, as referenced above, from all Scapa employees.

Greenhouse gas emissions

Information regarding the Company's use of greenhouse gas emissions is described in the Sustainability Report on page 48.

Research and development

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

Financial risk management

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

Political donations

No political donations were made during the year (2019: £Nil).

Auditor

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

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

UK Corporate Governance Code

The Company's statement on Corporate Governance can be found in the Corporate Governance Report on pages 52 to 58. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

By order of the Board

W Baker
Company Secretary
23 June 2020

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

Directors' responsibilities

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

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

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

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

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

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 23 June 2020 and is signed on its behalf by:

By order of the Board

H R Chae
Group Chief Executive

O Zahn
Chief Financial Officer
23 June 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- the financial statements of Scapa Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the group and parent's accounting policies; and
- the related notes 1 to 30 and parent company notes 1 to 15.

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

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Accounting for and presentation and disclosure of unusual/infrequently occurring items; and • Carrying value of goodwill and intangible assets. Within this report, key audit matters are identified as follows: Newly identified (!) Increased level of risk (↗) Similar level of risk (—) Decreased level of risk (↘)
Materiality	The materiality that we used for the group financial statements was £845,000 which was determined on the basis of 5% of adjusted profit before tax.
Scoping	Based on our scoping assessment, our audit work covered 86% of the Group's profit before tax, 89% of the Group's revenue and 93% of the Group's net assets.
Significant changes in our approach	As a result of the loss of a major customer and following the outbreak of Covid-19, the impact this has had on global markets and the uncertainties still present in relation to this, we have determined that the carrying value of goodwill and intangible assets is a key audit matter for the current year. In the prior year we recognised inventory valuation as a key audit matter due to inventory builds undertaken at several sites in preparation for business restructuring. There have been no such inventory builds in the current year and therefore we have no longer included this as a key audit matter. We also recognised a key audit matter for the acquisition accounting in relation to the acquisition of the Systagenix in the prior year. There has been one acquisition completed in the year, however due to the relatively small size of this acquisition no additional key audit matter has been included for acquisition accounting in the current year.

4. Conclusions relating to going concern

4.1. Going concern

We have reviewed the directors' statement in the Group accounting policies note to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 33 to 36 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 37 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 37 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

5. Key audit matters continued

5.1. Accounting for and presentation of unusual/infrequently occurring items

Key audit matter description	A number of items have been identified and described as 'exceptional' by the group in the current year and there is a risk that not all of these costs and income are appropriately accounted for and presented as one off/non-recurring in nature. The current year exceptional items have a net income statement impact of £68.4 million charge (2019: £12.8 million charge). These comprise costs of £70.8 million and income of £2.4 million. The Audit and Risk Committee's assessment of exceptional items is disclosed on page 61. Exceptional items have been disclosed within note 4 and relate to: • goodwill and intangible impairments of £54.3m; • asset write offs of £0.3m; • costs incurred in relation to the loss of a major customer contract of £7.2m; • a gain recognised following a buyout of the US pension scheme of £2.4m; • the closure of the Dunstable and Inglewood sites and the ongoing restructuring and consolidation of the group's healthcare sites of £8.0m; • expenses incurred in relation to a strategic review of the business performed in the year of £0.7m; and • provision recognised for a possible HSE Fine of £0.3m. In addition to exceptional items a number of other items are presented separately including amortisation of intangible assets, acquisition costs and pension administration costs. The term 'exceptional' is not defined in IFRS however IAS 1 does allow for the separate presentation of items which are one-off or non-recurring in nature, where this will assist the reader in understanding financial performance. We have therefore focussed our challenge on the following key areas: • whether the exceptional items meet the accounting policy definition as set out within the group accounting policies note and the application of this on a consistent basis year on year; and • whether the narrative in the financial statements appropriately explains the classification of these items as exceptional and whether there is sufficient balance between statutory measures and Alternative Performance Measures. This has been identified as a fraud risk as there is judgement around whether these items are material, quantitatively and/or qualitatively and whether these are truly one-off in nature and do not form part of the normal business operations. Inappropriate classification of such items would impact on the disclosure of Trading Profit, which is a key performance indicator used by the Group.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls in relation to the accounting for and presentation of unusual/infrequently occurring items. We have challenged the types of costs incurred in the year by agreeing a sample of costs to supporting evidence. We have assessed the income statement presentation of any items included as exceptional to determine whether showing these items separately in the income statement as exceptional is compliant with the principles of IAS 1. We challenged management particularly on those items where the nature is consistent with prior periods. We have also challenged whether all costs and income meet the Group's exceptional policy as disclosed in the accounting policies note by assessing the balances management have included within trading profit and not presented as exceptional. We have reviewed the disclosures within the financial statements and challenged the balance between statutory and adjusted performance measures.
Key observations	Overall we have concluded the presentation and prominence of items described as exceptional in the financial statements meet the requirements of IAS 1 and the group's accounting policy.

5. Key audit matters continued

5.2. Carrying value of goodwill and intangibles

Key audit matter description	The group has £61.1 million (2019: £108.3 million) of goodwill and £3.4m (2019: £10.8m) of intangible assets. The significant risk relates to the forecast future cash flows of each of the materially impaired cash generating units, in particular the cash flows forecast for the next three years (taking Covid-19 into account) and the discount rates applied to these cash flows. Details of the assumptions used in management's forecasts are described in notes 13 and 14. This judgement is also described in the Audit and Risk Committee's Report on page 61 and the key sources of estimation uncertainty section of the accounting policies note on page 101. Following management's impairment analysis, a goodwill impairment charge of £52.2million and an intangible assets impairment charge of £2.1million has been recognised in the current year. This consists of £28.2million impairment of Systagenix, £17.0million impairment of Biomed, £5.7million impairment within Knoxville and Inglewood, £0.8million impairment in respect Crawford which was acquired during the year, and £3.0million impairment in relation to Windsor. The impairments noted have been driven by a number of factors including the loss of the Convatec contract, performance of the Biomed site in Texas, an increase in the discount rate and the anticipated impact of the Covid-19 pandemic.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls in relation to the preparation of cash flow forecasts and in the calculation of the discount rate used by management. We challenged the assumptions used in management's impairment model for goodwill and intangible assets. As part of our procedures we tested the clerical accuracy of the models and assessed whether they were prepared on a consistent basis across the cash generating units. We have challenged management's assumptions in relation to forecast cash flows for the next three years, in particular the potential impact of the current Covid-19 pandemic on the business by reference to external market forecasts, post year end trading and the group's order book. We have also assessed the assumptions against historical trading performance and comparing recent growth rates of both revenue and operating profit across the Group's geographical and market segments, and against latest market expectations. We have also considered management's historical forecasting accuracy. In performing our procedures in relation to the appropriateness of the discount rate, we worked with internal valuation specialists and third party evidence to assess the appropriateness of the discount rates applied. We have also considered the independence and competence of management's external experts that have derived the discount rates used. In assessing the overall assumptions within the impairment model we have performed sensitivity analysis and assessed the headroom across the cash generating units and considered the total of the value in use of all projections against the implied enterprise value of the company.
Key observations	We concluded that the assumptions applied in the impairment models were appropriate and no additional impairments were identified.

6. Our application of materiality

6.1. Materiality

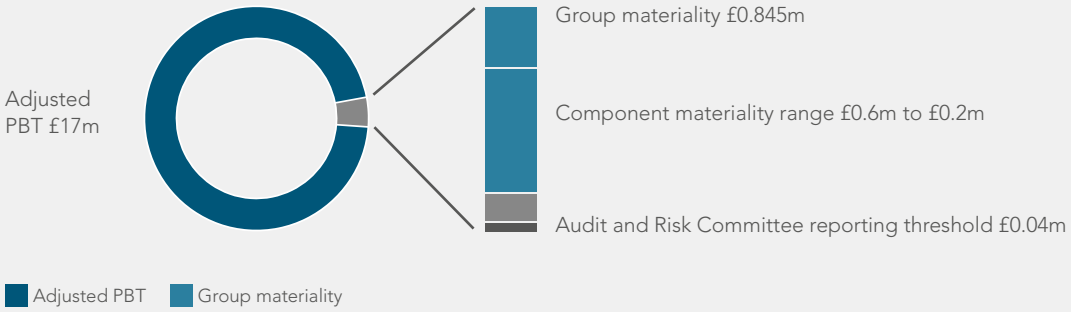
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

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

	Group financial statements	Parent company financial statements
Materiality	£845,000 (2019: £1,100,000)	£608,000 (2019: £1,089,000)
Basis for determining materiality	5% of adjusted profit before tax (2019: 4% of adjusted profit before tax).	The basis of materiality is net assets, taking into account the Group materiality, the materiality is approximately 0.4% (2019: 0.6%) of net assets.
Rationale for the benchmark applied	Profit before tax is used as the benchmark for materiality as it is considered the critical performance measure of the Group. In line with the prior year, the current year profit before tax has been adjusted for exceptional items incurred in the year as disclosed in note 4 of the accounts.	The entity's primary operation is to act as a holding company for the Group. In line with the prior year approach, equity has been taken as the benchmark for materiality.

6. Our application of materiality continued

6.1. Materiality continued



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the group's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £40,000 (2019: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at eleven (2019: twelve) components.

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

Given the nature of the Group's corporate structure, where all evidence relating to each component is compiled at the Group's central European shared service centre, the Group audit team undertook all the audit work for four (2019: five) of the European full scope components. In addition the Group audit team performed audit work for two of the US components and the Canadian component. The work on all seven (2019: seven) of these full scope components was performed by the group audit team. The group audit team also performed the work on one (2019: two) of the components subject to an audit of specified account balances. Due to the impact of Covid-19 related travel restrictions the audit work in relation to these components was performed remotely. In addition the Group audit team were unable to attend inventory counts as at the year-end date as is normal practice, and therefore performed inventory count procedures after year end as travel restrictions were relaxed and performed additional procedures in relation to movements of inventory between the count dates and the year-end date.

Nine (2019: Nine) of the components were subject to a full audit, whilst two (2019: three) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

Component materiality levels ranged from £608,000 (2019: 1,089,000) to £160,000 (2019: 104,000).

The components which were subject to a full scope audit represent the Group's principal business units and account for 89% (2019: 85%) of the Group's revenue, 93% (2019: 89%) of the Group's net assets and 86% (2019: 74%) of the Group's profit before tax (offset on consolidation by losses elsewhere in the Group). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The other components subject to more limited audit procedures cover a further 11% (2019: 9.4%) of the Group's revenue, 7% (2019: 11.5%) of the Group's net assets and 14% (2019: 28.0%) of the Group's profit before tax.

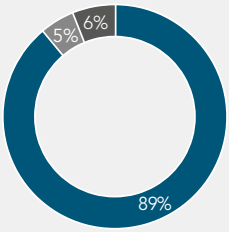
The parent company is located in Manchester, UK and audited directly by the group audit team. At the parent entity level we also tested the consolidation process, and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

7. An overview of the scope of our audit continued

7.2. Working with other auditors

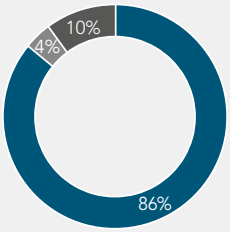
In terms of the two full scope components for which the audit work was performed by component auditors we included the component audit teams in our team briefing, discussed risk assessment, attended relevant close meetings and reviewed documentation of their work. Historically the French component performed their work at the Manchester shared service Centre and would have worked alongside the Group audit team. Due to the impact of Covid-19 related travel restrictions this work was performed remotely. The work continued to be directed and supervised by the group audit team remotely including attendance at close meetings and a review of the audit file.

Revenue



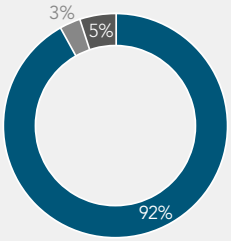
- Full audit scope
- Specified audit procedures
- Review at group level

Profit before tax



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

Net assets



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

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk committee reporting** – the section describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement that would be required if the company had a premium listing relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Opinions on other matter prescribed by our engagement letter

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

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

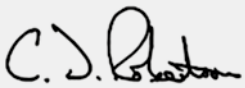
We have nothing to report in respect of this matter.

13.2. Directors' remuneration

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

14. Use of our report

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



Christopher Robertson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
23 June 2020

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	1	**320.6**	311.8
Operating (loss)/profit	1, 3	**(47.3)**	16.8
Trading profit*		**27.8**	38.2
Amortisation of intangible assets		**(5.8)**	(6.0)
Exceptional items	4	**(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	8	**(3.7)**	(1.9)
(Loss)/profit on ordinary activities before tax		**(51.0)**	14.9
Taxation credit/(charge)	9	**1.5**	(6.7)
(Loss)/profit for the year		**(49.5)**	8.2
Weighted average number of shares	10	**155.1**	154.1
Basic (loss)/earnings per share (p)	10	**(31.9)**	5.3
Diluted (loss)/earnings per share (p)	10	**(31.2)**	5.2
Adjusted earnings per share (p)**	10	**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	25	**(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

The notes on pages 102 to 129 form part of these financial statements.

Consolidated Balance Sheet
as at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Assets			
Non-current assets			
Goodwill	13	**61.1**	108.3
Intangible assets	14	**3.4**	10.8
Property, plant and equipment	15	**75.7**	81.0
Right-of-use assets	16	**19.9**	–
Deferred tax asset	9	**9.5**	4.3
Other receivables		**0.1**	0.2
		169.7	204.6
Current assets			
Inventory	17	**41.5**	45.9
Trade and other receivables	18	**63.7**	69.2
Current tax asset		**0.2**	1.1
Cash and cash equivalents	19	**16.3**	10.8
		121.7	127.0
Liabilities			
Current liabilities			
Borrowings and other financial liabilities	21	**(0.1)**	(12.2)
Lease liabilities	16	**(2.5)**	–
Trade and other payables	20	**(56.8)**	(58.5)
Current tax liabilities		**(2.0)**	(1.2)
Provisions	24	**(13.6)**	(18.6)
		(75.0)	(90.5)
Net current assets		**46.7**	36.5
Non-current liabilities			
Borrowings and other financial liabilities	21	**(71.0)**	(54.8)
Lease liabilities	16	**(17.7)**	–
Trade and other payables	20	**(0.6)**	(0.6)
Deferred tax liabilities	9	**(6.1)**	(6.0)
Non-current tax liabilities		**(2.1)**	(3.8)
Retirement benefit obligations	25	**(6.1)**	(8.4)
Provisions	24	**(20.4)**	(28.1)
		(124.0)	(101.7)
Net assets		**92.4**	139.4
Shareholders' equity			
Ordinary shares	26	**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

The notes on pages 102 to 129 form part of these financial statements. These financial statements were approved by the Directors on 23 June 2020.

H R Chae
Group Chief Executive

O Zahn
Chief Financial Officer

Registered in England No. 826179

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	28	**20.6**	20.4
Cash generated from operations before exceptional items	28	**37.7**	23.3
Cash outflows from exceptional items	28	**(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	12	**(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	19	**16.3**	10.8

Group accounting policies

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2020.

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

Basis of preparation

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

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for twelve months from the date of this report. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. In forming this opinion the Directors have taken into account three year forecasts for the Group that have been adjusted to take into account the potential impact of COVID-19, and have also been subject to sensitivity reviews taking account of some of the Group's principal risks and uncertainties. Further detail is contained in the Directors' Report on page 81 and in the Viability Statement on page 37. The Group have also secured a further unsecured £15m loan facility in addition to their existing £80m facility from June 2020, as a result of the COVID-19 pandemic, to strengthen the balance sheet and were able to raise £32.6m gross as a result of a placement in May 2020. These post COVID-19 actions further underpin the Board's confidence in the viability of the business.

Early adoption of Standards

The Group has not early adopted any Standards in the current or prior year.

Adoption of new and revised Standards

The following new Standards have been adopted in the year:

IFRS 16 Leases

The standard was adopted on 1 April 2019 replacing IAS 17 Leases and eliminates the classification of leases as either operating leases or finance leases and requiring the recognition of a right-of-use asset and a lease liability at the commencement for all leases, except for short-term leases and leases of low value assets. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

Impact of new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 April 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in IAS 17 and IFRIC 4.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered in to or change on or after 1 April 2019. The new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

Former operating leases

Applying IFRS 16, for all leases, the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement.
- Separates the total amount of cash paid into a principal portion and interest in the consolidated cash flow statement.

Lease incentives are recognised as part of the measurement of the right-of-use asset and lease liabilities whereas under IAS 16 they resulted in the recognition of a lease incentive amortised as a reduction of rental expenses on a straight line basis.

Right of use assets are tested for impairment in accordance with IAS 36.

For short-term leases (12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within lease rentals within note 3 operating profit.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Adoption of new and revised Standards continued

IFRS 16 Leases continued

Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased asset and obligation under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use asset and lease liabilities respectively without any adjustments.

Impact of IFRS 16

The adoption of IFRS 16 has resulted in right-of-use assets and corresponding lease liabilities amounting to £20.9m and £20.5m respectively being brought onto the Group's balance sheet on 1 April 2019. The right-of-use asset being £0.4m higher than the lease liability due to the difference in the carrying amount of the leased assets and obligation under finance leases immediately prior to this date.

In addition to the initial impact on the Group's balance sheet of adopting the standard, the Group's income statement has been impacted. Lease charges which were accounted for as and when they were incurred within cost of sales or operating expenses £2.5m, are replaced with a depreciation charge £2.1m and an interest cost £1.7m. This results in £0.4m higher trading profit.

The impact on the financial statements of the Group's transition to this standard is disclosed in note 16.

The following amendments have been adopted in the year:

- IFRS 9 Prepayment Features with Negative Compensation
- IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

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

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

- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture Amendments to IFRS 3 Definition of a business
- Amendments to IAS 11 and IAS 8 Definition of a material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Consolidation

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

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

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

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

Segmental reporting

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

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

Revenue recognition

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

(a) Sales of goods*

Sales of goods are recognised when the all performance obligations have been completed and when the Group entity has no continuing managerial involvement nor effective control over the goods. The transfer of control of goods can pass at various points depending on the shipping terms of the contract with the customer, they can be at collection from a premises or delivery to the relevant port or customer designated premises.

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

This includes an immaterial amount of bill and hold arrangements in the year ended 31 March 2020.

Volume rebates offered to customers are recognised at the anticipated level when the sale is recognised. Early settlement discounts are recognised when cash is received. Both of these discounts reduce revenue at the time of recognition.

(b) Development and quality programme income*

The Group has an immaterial amount of revenue relating to product development and quality programmes that are provided specifically for a customer. This is currently limited to our Healthcare business. This revenue is recognised upon the supply of the service to the customer.

* In our Healthcare business we refer to turn-key solutions; this incorporates the supply of goods in the form of products for specific applications and packaged finished products and also includes an immaterial amount of development and quality programme income

(c) Interest income

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

Trading profit

Trading profit is profit before tax, before finance costs, amortisation of intangible assets, exceptional items, acquisition costs and legacy pension costs.

Acquisition costs are inclusive of abortive acquisition costs and include legal and professional fees and internal employee costs.

Exceptional items

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

Operating profit

Operating profit is profit before tax, before finance costs.

Leases

On transition to IFRS 16, the Group recognised a right-of-use asset and a lease liability.

The asset is initially measured at cost, which comprises the initial amount of the lease liability. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease.

The lease liability is initially measured at the present value of lease payments due as at the commencement date. This is discounted by an externally assessed incremental borrowing rate that reflects the specific company involved, the individual lease characteristics, the currency and jurisdiction in which the lease is made and the term of the arrangement.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Further detail on the accounting for leases can be found in adoption of new and revised standards, IFRS 16 leases and in note 16.

Research and development expenditure

Research expenditure is expensed as incurred. Costs associated with developing or enhancing existing product lines are recognised as an expense as incurred. Development costs are assessed as to whether they meet the IAS 38 criteria for capitalisation. Upon meeting the IAS 38 criteria these costs are capitalised and then depreciated once the projected is competed over their useful economic life using the straight-line method.

Foreign currency translation

(a) Functional and presentation currency

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

Foreign currency translation continued

(b) Transactions and balances

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

(c) Group companies

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

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet; and
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

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

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

Business combinations and goodwill

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

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

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

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

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

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

For the purpose of impairment testing goodwill is allocated to individual cash-generating units which have independent cash inflows. Each of those cash-generating units represents the Group's investment in each site.

Property, plant and equipment (including land and buildings)

Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

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

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

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

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

Following the acquisition of Systagenix Wound Management Manufacturing Ltd in October 2018 the Group now has one type of asset where depreciation is calculated on a 20% reducing balance basis. This asset is classified within plant and machinery.

Property, plant and equipment (including land and buildings) continued

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

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

Assets held for sale

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

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

Internally generated intangible assets

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

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

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

Intangible assets

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

Impairment of assets

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

Value in use is determined based on the estimated future cash inflows and outflows derived from the continued use of the asset and from its ultimate disposal. These forecasts form the basis of the Group's annual budget, have been signed off by the Board and are the best estimates available to management in assessing future profitability. This annual budget was updated with the onset of the COVID-19 global pandemic and the potential impact of the pandemic was built into the cash flows forecast for the Group when assessing the carrying value of goodwill and intangible assets for the Group. These cash flows are discounted using the Group's pre-tax weighted average cost of capital and are adjusted for specific risk factors that take into account the sensitivities of the projection.

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

Financial instruments

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

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

Inventories

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

Trade receivables
Trade receivables are recognised initially at invoice value, less provision for impairment. A provision for impairment of trade receivables is established to reflect expected future credit losses. The provision is recognised in the Income Statement as an operating charge.

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

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

Share capital
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

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

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

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

Where a defined benefit pension scheme is in surplus this is recognised on Balance Sheet only to the extent the Group can demonstrate that it has an unconditional right to refund in relation to the surplus. Where an unconditional right to a refund can't be demonstrated the asset is restricted to nil.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' equity. Past service costs are recognised immediately in the Income Statement.

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

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

Employee benefits continued

(b) Share-based compensation

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

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

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

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

(c) Holiday pay

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

(d) Bonus plans

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

Provisions

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

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

Critical accounting estimates and judgements

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

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

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

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

The UK Pension scheme when measured under IAS 19 resulted in a surplus of £4.2m and the recognition of this surplus was assessed in-line with the requirements of paragraph 11(b) of IFRIC 14. This states that the pension surplus can be recognised in the accounts if the Group can demonstrate an unconditional right to a refund in all of the three circumstances specified in IFRIC 14 - these three scenarios are:

- Scenario A – during the life of the plan, without assuming that the plan liabilities must be settled in order to obtain the refund (e.g. in some jurisdictions, the entity may have a right to a refund during the life of the plan, irrespective of whether the plan liabilities are settled);
- Scenario B – assuming the gradual settlement of the plan liabilities over time until all members have left the plan; or
- Scenario C – assuming the full settlement of the plan liabilities in a single event (i.e. as a plan wind-up).

The Group cannot demonstrate an unconditional right to a refund in either Scenario A or C, but can demonstrate this right in Scenario B, i.e. the gradual settlement of the scheme liabilities over time until all members have left the scheme.

As the Group cannot demonstrate an unconditional right to a refund of surplus in all the scenarios, no surplus has been recognised for the UK pension defined benefit scheme in the group or subsidiary accounts.

(b) Key sources of estimation uncertainty

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

- Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future assumptions in relation to the discount rate applied in the calculation of scheme liabilities, which are set out in note 25, represent a key source of estimation uncertainty for the Group. The Group also applies sensitivities to these assumptions to assess the financial impact; these sensitivities are set out in note 25.
- Carrying value of goodwill and intangible assets - the assessment of the discounted cash flows and the key inputs into the future forecasts for the Group involve the use of a market participant discount rate calculated at a CGU level. This includes the addition of a premium to reflect the current size and market capitalisation of the Group and compares this to a set of relevant comparators. The cash flows for the Group have been calculated using a Board approved forecast which includes the potential impact of the COVID-19 global pandemic. Further details on this goodwill and intangible asset carrying value review can be found in notes 13 and 14 on pages 110 and 111.

1. Segmental reporting

Business unit segments

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

The 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).

1. Segmental reporting continued

Segment results continued

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

2. 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

2. Segment assets and liabilities continued

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.

3. Operating loss/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.

4. 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 US 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 US 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.

5. 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 (note 25)	2.8	2.7
Pension costs – defined benefit plans (note 25)	0.3	0.2
	71.6	68.7
Gain on pension scheme buy-out (note 4)	(2.4)	–
Pension GMP equalisation (note 4)	–	1.0
	69.2	69.7

5. Employee benefit expense continued

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

6. Key management compensation and Directors' remuneration

	2020				2019			
	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m
Short-term employment benefits	**1.4**	**0.3**	**0.3**	**2.0**	1.6	0.3	1.2	3.1
Post-employment benefits	**0.2**	**–**	**–**	**0.2**	0.1	–	0.1	0.2
Termination benefits	**–**	**–**	**–**	**–**	–	–	0.1	0.1
Share-based payments (including share incentive plan)	**1.1**	**–**	**0.1**	**1.2**	0.6	–	0.2	0.8
	2.7	**0.3**	**0.4**	**3.4**	2.3	0.3	1.6	4.2

Key management is considered by the Group to be the Executive Team, which comprises certain senior employees. Information about the remuneration of individual Directors is provided in the audited part of the Directors' Annual Remuneration Report on pages 74 to 80.

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

7. Related party transactions

The pension schemes are related parties to the Group. As at 31 March a deferment of the March UK scheme CAR contribution of £2.0m was agreed by the UK Pension Trustee. The funds were held as restricted cash with release subject to legal agreement with the Scheme Trustee.

8. Finance costs

	2020 £m	2019 £m
Interest payable on bank loans and overdrafts	**(1.7)**	(1.4)
Interest income on pension scheme assets less interest on scheme liabilities (note 25)	**(0.1)**	(0.5)
Discount on provisions	**(0.2)**	–
Lease interest	**(1.7)**	–
Net finance costs	**(3.7)**	(1.9)

9. 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)

9. Taxation continued

Income tax charge continued

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.

9. Taxation continued

Income tax charge continued

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

10. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 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

11. 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.

12. 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**

13. 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	**13.3**	**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.

14. Other intangible assets

	Patents and development costs £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 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	**–**	**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 13 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).

15. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 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.

16. Leases

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Long leasehold buildings £m	Plant and machinery £m	IT systems £m	Total £m
Cost				
1 April 2019 recognised on transition to IFRS 16	19.9	0.9	0.1	20.9
Exchange differences	1.0	–	–	1.0
Additions	0.3	0.3	0.1	0.7
Acquisition of subsidiary	0.1	0.1	–	0.2
31 March 2020	**21.3**	**1.3**	**0.2**	**22.8**
Accumulated depreciation				
1 April 2019	–	–	–	–
Exchange difference	(0.1)	–	–	(0.1)
Depreciation	(2.3)	(0.4)	(0.1)	(2.8)
31 March 2020	**(2.4)**	**(0.4)**	**(0.1)**	**(2.9)**
Carrying amount				
31 March 2020	**18.9**	**0.9**	**0.1**	**19.9**
1 April 2019	19.9	0.9	0.1	20.9

Lease liabilities

	2020 £m
Maturity analysis – contractual undiscounted cash flows	
Less than one year	**3.8**
One to five years	**17.6**
More than five years	**1.3**
Total undiscounted lease liabilities at 31 March	**22.7**
Lease liabilities at March 2020	**20.2**
Current	**2.5**
Non-current	**17.7**

Amounts recognised in profit or loss

	2020 £m
Interest on lease liabilities	**1.7**
Expenses relating to short-term and low-value leases	**0.5**
Depreciation expense	**2.8**

16. Leases continued

Amounts recognised in the cash flow statement

	2020 £m
Total cash outflow for leases	**3.8**

Real estate leases

The Group leases land and buildings for its manufacturing sites and offices. The lease term of manufacturing sites is typically between five and twenty years. Some leases include an option to renew the lease for an additional period of the same duration or shorter after the end of the contract term.

Extension options

Some leases of manufacturing sites contain extension options exercisable by the Group prior to the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

£m	Lease liabilities recognised
Manufacturing sites	1.0

Other leases

The Group leases plant and machinery, with lease terms of three to twenty years and IT systems with lease terms of three to eight years.

On transition to IFRS 16, the Group recognised an additional £20.9m of right-of-use assets and £20.5m of lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 5.9%.

£m	
Operating lease commitment at 31 March 2019	11.2
Discounting using the incremental borrowing rate at 1 April 2019	(3.5)
Discounted lease commitments recognised	7.7
Finance lease liabilities recognised at 31 March 2019	12.2
Recognition exemption for short-term leases and low-value items	(0.3)
Extension options reasonably certain to be exercised	0.9
Lease liabilities recognised at 1 April 2019	20.5

17. 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.

18. 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.

18. Trade and other receivables continued

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.

19. 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.

20. 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.

21. 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) (see note 22).

The Group has the following undrawn borrowing facilities:

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

22. Derivative financial instruments

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

Foreign exchange risk

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

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

Foreign exchange sensitivity

Taking the 2019/20 sales by currency, a 5% weakening/strengthening in the 2019/20 cumulative average rates for all currencies versus Sterling would have given rise to a +£13.0m/-£11.7m movement in sales respectively. The impact on pre-tax profit is affected by the mix of losses and profits in the various currencies. Taking the 2019/20 pre-tax profit mix, a 5% weakening/strengthening in 2019/20 cumulative average rates for all currencies would have given rise to a +£0.8m/-£0.7m movement in pre-tax profit.

Interest rate risk

The Group is exposed to interest rate risk as it has borrowings at floating rates. Interest rate risk is evaluated periodically to consider interest rate views and defined risk appetite, to seek to ensure that reasonable economic strategies are applied, by either positioning the Balance Sheet or protecting interest expense through different interest rate cycles.

Interest rate sensitivity

During the year to 31 March 2020 the Group has achieved a positive move to securing more of its bank borrowings in Sterling. This has resulted in the effective interest rate for bank loans reducing to 2.0% at 31 March 2020 from 2.2% at 31 March 2019 when a higher proportion of borrowings were held in US Dollars as the rate for borrowing in Sterling is lower than US Dollars. At 31 March 2020 the Group held £64.9m in Sterling and £6.1m in US Dollars. The impact of holding all bank borrowings in Sterling or US Dollars would reduce/increase the effective interest rate to 1.9%/2.8% as at 31 March 2020.

Commodity price risk

The Group is exposed to commodity price risk as it buys a number of commodity products that are vital to its production process. The Group mitigates this risk by fixing pricing with its suppliers where possible. The contracts entered into continue to be held for the purpose of the receipt of the commodity in accordance with the Group's expected purchase or usage requirements. There is no intention to re-sell the commodities bought. Following an internal assessment of price risk for the business that lies within operations, commodity price risk was removed from the principal risks of the business as it was not deemed to be a key risk.

Liquidity risk

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

Liquidity tables

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

	Due within one year £m	One to two years £m	Two to five years £m
2020			
Trade payables and trade accruals	45.1	–	–
Other taxes and social security	3.2	–	–
Other creditors	8.5	0.6	–
Lease liabilities	2.5	14.0	2.5
Loans and overdrafts	0.1	–	71.0
	59.4	14.6	73.5

22. Derivative financial instruments continued

Liquidity tables continued

	Due within one year £m	One to two years £m	Two to five years £m
2019			
Trade payables and trade accruals	44.1	–	–
Other taxes and social security	4.4	–	–
Other creditors	10.0	0.6	–
Finance leases	12.1	0.1	–
Loans and overdrafts	0.1	–	54.7
	70.7	0.7	54.7

Leases to the value of £1.2m (2019: £Nil) have a maturity greater than five years.

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

	Due within one year £m	One to two years £m	Two to five years £m
2020			
Receivables	**59.5**	–	–
Cash and cash equivalents	**16.3**	–	–
	75.8	–	–
2019			
Receivables	64.1	–	–
Cash and cash equivalents	10.8	–	–
	74.9	–	–

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

Credit risk

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

Europe

The top five customers by balance at 31 March 2020 had a total receivable of £5.7m, versus their cumulative credit limit of £6.3m. The top five customers at 31 March 2019 had a total receivable of £2.3m, versus their cumulative credit limit of £2.3m.

North America

The top five customers by balance at 31 March 2020 had a total receivable of £13.9m, versus their cumulative credit limit of £12.9m. A temporary easement was agreed relating to a safety stock bill and hold arrangement, at a key customer's request, following the closure of one of the North American manufacturing facilities. The top five customers at 31 March 2019 had a total receivable of £12.7m, versus their cumulative credit limit of £21.5m.

Asia

The top five customers by balance at 31 March 2020 had a total receivable of £1.6m, versus their cumulative credit limit of £2.5m. The top five customers at 31 March 2019 had a total receivable of £1.1m, versus their cumulative credit limit of £1.9m.

23. Capital risk

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

The Group monitors capital using the following main indicators:

Gearing ratio	2020	2019
Total equity (£m)	**92.4**	139.4
Total assets (£m)	**291.4**	331.6
Equity % ratio	**32%**	42%

Net debt to EBITDA ratio	2020	2019
Net debt (£m)	**(74.6)**	(55.7)
EBITDA (£m)	**39.7**	45.9
Net debt to EBITDA ratio	**1.88**	1.21

Net debt, borrowings and lease liabilities net of cash and cash equivalents and unamortised debt issue costs, has increased by £9.3m on adoption of IFRS16. Net debt to EBITDA comprises net debt divided by trading profit before depreciation.

EBITDA interest cover	2020	2019
EBITDA (£m)	**39.7**	45.9
Interest payable on bank and other loans (£m)	**(1.7)**	(1.4)
Interest cover – times	**23**	33

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

The Group's principal loan covenants are: EBITDA interest cover (EBITDA being at least four times the interest payable); and net debt to EBITDA ratio (net debt being less than 3.0 times adjusted EBITDA). The Banking RCF facility is measured in frozen GAAP (excluding the impact of IFRS 16 Leases). On this basis the net debt to EBITDA ratio moves to 1.46 times and the interest cover moves to 22.

24. 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**

24. Provisions continued

	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 provisions

Tax provisions totalling £2.1m relate 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 filed. 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.

25. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution schemes. Employer's contributions are charged to the Income Statement as incurred. The total pension cost for the Group in respect of these schemes for the year ended 31 March 2020 was £2.8m (2019: £2.7m). The assets of these schemes are held in independently administered funds.

Defined benefit schemes

The total amounts recognised in the Group financial statements for defined benefit schemes are summarised on pages 121 to 125.

(a) UK scheme

By far the largest defined benefit scheme in the Group is the Scapa Group plc pension scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employer, Scapa Group plc. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional Trustee.

The IAS 19 Retirement Benefits valuations are based on the formal triennial actuarial valuation calculations carried out as at 1 April 2017 (completed in June 2018), in order to assess the liabilities of the schemes at 31 March 2020. Scheme assets are stated at their market value at 31 March 2020. The next formal triennial valuation is due on 1 April 2020 and will be completed no later than 30 September 2021.

25. Retirement benefit obligations continued

Defined benefit schemes continued

(a) UK scheme continued

Funding arrangement

On 11 March 2013 Scapa Group plc entered into an asset-backed funding arrangement with the Trustees of the UK Pension Funds using Scapa Scottish Limited Partnership ('the Partnership') as a vehicle for this arrangement. The Partnership that was formed between the Group and the pension fund holds the income and capital rights to a Group asset. The Trustees of the UK Pension Funds will hold the income rights related to the asset over the life of the agreement with capital rights ultimately controlled by the Group.

The Partnership acquired income and capital rights to a Group asset in the form of an inter-company loan note and, under the terms of the Partnership, the Trustees have been granted rights to the interest payments on the inter-company loan note over the lifetime of the arrangement, which are backed by profits from Scapa's US business.

The scheme's interest in the Partnership entitles it to an annual distribution of £3.75m cash per annum subject to RPI indexation capped at 5% for 25 years or until the pension fund is in surplus. The Group's Balance Sheet, IAS 19 deficit and Income Statement are unchanged by the establishment of the Partnership. The investment held by the scheme in the Partnership does not qualify as a plan asset for the purposes of the Group's consolidated financial statements and is therefore not included within the fair value of plan assets.

The Group pays the administration costs of the scheme of £0.35m per year subject to RPI indexation, and pays non-administration costs as agreed on a project by project basis with the Trustees.

Total cash payments in the year, including both deficit repair and expenses, were £2.2m (2019: £4.7m). As at 31 March 2020 a deferment of £2.0m had been agreed with the Trustees (2019: no amounts outstanding). Total cash payments expected in the year to 31 March 2021 are £6.8m.

The arrangement provides the Group with a less volatile basis for financing the long-term pension liabilities.

(b) Overseas schemes

The Group operates a number of pension schemes in different countries. There are several small defined benefit schemes and a number of defined contribution schemes. In addition, in certain countries, the Group must provide for various employee termination benefits. These are accounted for as if they were defined benefit pension schemes. The total defined benefit pension charge to operating profit for the Group in respect of overseas pension schemes for the year ended 31 March 2020 was £0.3m (2019: £0.2m), excluding settlement gains. The forecast future contributions into these schemes are expected to be similar to the current year contributions, but are subject to the number and nature of leavers in any period.

Details of the Group's material overseas defined benefit schemes are as follows:

North America

The Group operates three pension plans in North America, a funded defined benefit scheme and two unfunded pension plans. All three schemes are closed to new members and future accrual. During the year we performed a buy-out of one of the defined benefit schemes. The disclosures are based on the most recent actuarial valuations of liabilities and asset market values at 31 March 2020.

France

The Group operates an unfunded statutory retirement benefit scheme in France with liabilities of £4.0m (2019: £4.2m), with payments made to employees on retirement.

Italy

There is an unfunded statutory termination indemnity plan in Italy, with payments made to employees on retirement or termination of service. The Italian scheme is closed to future accrual following changes in local legislation in 2013. It has liabilities of £0.5m (2019: £0.5m).

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19. Given the relative size of the schemes, the age profile and sensitivities are only provided for the UK.

	UK		North America		France		Italy	
	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate	**2.25%**	2.35%	**4.25%**	4.25%	**1.40%**	1.25%	**(0.14)%**	0.44%
Salary rises	**–**	–	**–**	–	**1.70%**	2.00%	**–**	–
Price inflation (RPI)	**2.50%**	3.20%	**–**	3.00%	**1.70%**	2.00%	**2.00%**	2.00%
Price inflation (CPI)	**1.55%**	2.20%	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 5%	**2.50%**	3.07%	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 3%	**2.16%**	2.40%	**–**	–	**–**	–	**–**	–
Amount of pension commuted for cash	**25.00%**	25.00%	**–**	–	**–**	–	**–**	–

The salary increase assumption is no longer relevant in the UK and US as the schemes are closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK schemes are set out in the table below; the expected return on investment for the overseas schemes is not a key judgement given the small asset values.

25. Retirement benefit obligations continued

Defined benefit schemes continued

(b) Overseas schemes continued

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2020, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2018 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the scheme's membership. The results of this exercise showed that a best estimate adjustment to the base table used by the formal triennial actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2020 disclosures.

Actuarial assumption sensitivities

The calculation of the schemes' deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. Note that sensitivities are not provided for the overseas schemes because the materiality of the results is not significant.

	UK 2020 £m
Rate of inflation	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of inflation	**4.7**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of inflation	**(4.8)**
Discount rate	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of discount	**(9.0)**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of discount	**10.0**
Mortality	
Life expectancy of members increases by one year	**6.4**
Life expectancy of members decreases by one year	**(6.4)**
Current pensioners (years):	
Male life expectancy at age 65	**85.5**
Female life expectancy at age 65	**87.5**
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	**86.8**
Female life expectancy at age 65 (currently aged 45)	**89.0**

The amounts recognised in the Balance Sheet are determined as follows:

UK scheme	2020 Value £m	2019 Value £m
Overseas equities	**18.3**	17.6
Corporate bonds	**75.1**	78.6
Fixed interest government bonds	**19.7**	14.9
Index-linked government bonds	**13.2**	23.3
Property	**1.9**	1.8
Hedge funds	**4.0**	4.4
Cash and cash equivalents	**7.1**	2.7
Total market value of assets*	**139.3**	143.3
Present value of scheme liabilities	**(135.1)**	(145.5)
Surplus restriction	**(4.2)**	–
Net deficit in the scheme	**–**	(2.2)

* No quoted market price in active market for the UK scheme investments for 2020 (2019: same)

25. Retirement benefit obligations continued

Actuarial assumption sensitivities continued

The weighted average duration of the defined benefit obligation at 31 March 2020 is approximately 16 years (2019: 16 years).

French scheme	2020 Value £m	2019 Value £m
Present value of scheme liabilities	**(4.0)**	(4.2)
Net deficit in the scheme	**(4.0)**	(4.2)

Italian scheme	2020 Value £m	2019 Value £m
Present value of scheme liabilities	**(0.5)**	(0.5)
Net deficit in the scheme	**(0.5)**	(0.5)

North American scheme	2020 Value £m	2019 Value £m
Equities	**–**	5.7
Bonds	**–**	3.2
Other	**–**	0.8
Total market value of assets	**–**	9.7
Present value of scheme liabilities	**(1.6)**	(11.2)
Net deficit in the scheme	**(1.6)**	(1.5)

The amounts recognised in the Income Statement are as follows:

	2020 £m	2019 £m
Current service cost	**(0.3)**	(0.2)
Buy-out gain in US scheme	**2.4**	–
Pension GMP equalisation	**–**	(1.0)
Total included within staff costs	**2.1**	(1.2)
Interest income on scheme assets less interest on scheme liabilities	**(0.1)**	(0.5)
Total included within finance costs	**(0.1)**	(0.5)
Total gain/(expense) charged through the Income Statement	**2.0**	(1.7)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2020 £m	2019 £m
Actual return less interest income on scheme assets	**0.9**	4.8
Experience gains arising on scheme liabilities	**(2.1)**	0.5
Changes in assumptions underlying the present value of the scheme liabilities:		
– Financial assumptions	**4.1**	4.1
Change in surplus restriction	**(4.2)**	–
Total amounts recognised in the Statement of Comprehensive Income	**(1.3)**	9.4

25. Retirement benefit obligations continued

Actuarial assumption sensitivities continued

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2020 £m	2019 £m
Beginning of the year	**153.0**	148.1
Exchange differences	**0.3**	0.6
Expected return on scheme assets	**3.2**	3.4
Actual return less interest income on scheme assets	**1.2**	5.2
Contributions paid	**1.9**	5.0
Benefits paid	**(10.3)**	(9.3)
Settlement	**(10.0)**	–
End of the year	**139.3**	153.0

Analysis of movement in scheme liabilities

	2020 £m	2019 £m
Beginning of the year	**(161.4)**	(169.1)
Exchange differences	**(0.5)**	(0.7)
Current service cost (included within staff costs)	**(0.2)**	(0.2)
Pension GMP equalisation (included within staff costs)	**–**	(1.0)
Interest on scheme liabilities	**(3.8)**	(4.3)
Experience gains	**0.3**	0.5
Changes in assumptions	**4.1**	4.1
Benefits paid	**10.3**	9.3
Settlement	**10.0**	–
End of the year	**(141.2)**	(161.4)

Analysis of movement in Balance Sheet liability

	2020 £m	2019 £m
Beginning of the year	**(8.4)**	(21.0)
Exchange differences	**(0.2)**	(0.1)
Income Statement expense	**2.0**	(1.7)
Statement of Comprehensive Income items	**(1.3)**	5.3
Changes in assumptions	**4.1**	4.1
Contributions paid	**1.9**	5.0
Surplus restriction	**(4.2)**	–
Net deficit in the schemes	**(6.1)**	(8.4)

Cumulative actuarial losses on pension schemes recognised in reserves total £18.6m (2019: £21.4m).

	2020 IAS 19 £m	2019 IAS 19 £m	2018 IAS 19 £m	2017 IAS 19 £m	2016 IAS 19 £m
Present value of defined benefit obligations	**(141.2)**	(161.4)	(169.1)	(195.6)	(172.7)
Fair value of plan assets	**139.3**	153.0	148.1	164.2	145.2
Adjustment relating to asset ceiling and minimum funding requirements	**(4.2)**	–	–	–	–
Deficit in the plan	**(6.1)**	(8.4)	(21.0)	(31.4)	(27.5)
Experience adjustments on plan liabilities	**4.4**	4.6	5.9	(24.5)	10.8
	3.1%	2.9%	3.5%	(12.5%)	6.3%
Experience adjustments on plan assets	**1.2**	5.2	1.1	17.6	4.4
	0.9%	3.4%	0.7%	10.7%	3.0%

26. Share capital

	2020 £m	2019 £m
Allotted, issued and fully paid		
155,242,923 (2019: 154,650,532) shares of 5p each	**7.8**	7.7

The movement in share capital relates to the exercise of share options (note 27). The Company has one class of ordinary shares which carry no rights to fixed income.

27. Share options

Potential issues of ordinary shares

Certain senior managers and other staff hold options to subscribe for shares in the Company at prices ranging from nil pence per share to 273.0p per share under share option schemes approved by shareholders. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Scheme	Year of grant	Average exercise price per share	Exercise period	Number of options 2020	Number of options 2019
Performance share plan	2013	nil p per share	up to 23 July 2023	**4,000**	4,000
Performance share plan	2014	nil p per share	up to 22 July 2024	**5,000**	5,000
Performance share plan	2015	nil p per share	up to 22 July 2025	**25,234**	25,234
Performance share plan	2016	nil p per share	up to 8 July 2026	**199,907**	382,101
Performance share plan	2017	nil p per share	up to 9 August 2027	**181,556**	195,621
Performance share plan	2017	nil p per share	up to 30 November 2027	**31,645**	31,645
Performance share plan	2018	nil p per share	up to 1 June 2028	**287,211**	299,020
Performance share plan	2019	nil p per share	up to 5 March 2029	**70,855**	70,855
Performance share plan	2019	nil p per share	up to 1 June 2029	**1,794,785**	–
Sharesave option plan 3-year	2018	273.00p	up to 1 September 2022	**340,033**	487,991
				2,940,226	1,501,467

During the year the 112,972 options under the 2016 Performance share plan were exercised.

All other movements from 2019 are expired or lapsed options and new grants. As at 31 March 2020, 4,000 options were exercisable under the 2013 Performance share plan; 5,000 options were exercisable under the 2014 Performance share plan; 25,234 options were exercisable under the 2015 Performance share plan; and 199,907 options were exercisable under the 2016 Performance share plan.

The Group operates several share option schemes. Options are exercisable at a price equal to the average quoted market price of the Group's shares on the date of grant. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity-settled share options are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed over the vesting period, based upon the Group's estimate of shares that will eventually vest.

There are no cash-settled share options.

Fair value is measured by use of a Black Scholes model according to the relevant measures of performance. The models include adjustments, based upon management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived from models based upon these assumptions and other assumptions identified below.

The Group recognised total expenses of £1.6m (2019: £1.0m) related to equity-settled share-based payments. This expense includes the charge for new options granted during the year net of release of charge for the options for which it has been concluded that vesting criteria will not be met.

Long Term Incentive Plans

The Company has two Long Term Incentive Plans; the Scapa Group plc 2011 Performance Share Plan (PSP) and the Scapa Group plc 2019 Long Term Incentive Plan (LTIP).

Options granted between 2011 to 2019 relate to the PSP, details of which can be found in the Directors' Remuneration Report contained in these accounts. No options have been granted under the LTIP.

27. Share options continued

Long Term Incentive Plans continued

The following tables show the inputs to the model used to calculate the fair value of equity-settled share options granted during the years ended 31 March 2020 and 31 March 2019 respectively:

Year ended 31 March 2020	Performance Share Plan awarded 20 June 2019
Weighted average share price (p)	**196**
Weighted average exercise price (p)	**Nil**
Weighted average fair value of options granted (p)	**196**
Expected volatility (%)	**n/a**
Expected life (months)	**36**
Risk free rate (%)	**n/a**

Year ended 31 March 2019	Performance Share Plan awarded 1 June 2018 and 5 March 2019
Weighted average share price (p)	423
Weighted average exercise price (p)	Nil
Weighted average fair value of options granted (p)	423
Expected volatility (%)	n/a
Expected life (months)	36
Risk free rate (%)	n/a

The expected volatility is based upon the historical volatility of the Group's share price over the expected life of the option.

Sharesave

The Scapa Group 2018 Sharesave Scheme is an Inland Revenue approved Save-As-You-Earn (SAYE) share option scheme pursuant to which eligible employees (including Executive Directors) in the United Kingdom who have worked a minimum six-month qualifying period and agree to save a fixed amount for three or five years under an approved savings contract are granted options to subscribe for shares in the Company at a discounted exercise price. The maximum amount that can be saved by a participant is £250 per month. In normal circumstances options are exercisable for six months following the completion of a savings contract using the proceeds from that contract. The exercise price is based on the market value of the shares as of the date of grant, less a discount of 20%.

The movement in total outstanding options is provided below:

	SAYE Plan		Performance Share Plan	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 31 March 2018	386,570	159.0p	1,764,527	£Nil
Granted during the year	489,309	273.0p	564,843	£Nil
Exercised during the year	(373,756)	159.0p	(668,074)	£Nil
Forfeited and lapsed during the year	(14,132)	169.6p	(647,820)	£Nil
Outstanding at 31 March 2019	487,991	273.0p	1,013,476	£Nil
Granted during the year	–	–	1,813,444	£Nil
Exercised during the year	–	–	(112,972)	£Nil
Forfeited and lapsed during the year	(147,958)	159.0p	(113,755)	£Nil
Outstanding at 31 March 2020	**340,033**	**159.0p**	**2,600,193**	**£Nil**
Weighted average contractual remaining life:				
31 March 2020	**1.8 years**			**8.6 years**
31 March 2019	2.8 years			8.2 years

The weighted average share price at the date of exercise for share options exercised during the year was 204.8p.

27. Share options continued

Scapa Group 2015 Value Creation Plan

The Company implemented the Value Creation Plan (VCP) in 2015/16 to reward participants for creating value through growth in the Company's share price. If defined share price targets are met on defined dates, the growth in excess of £1.95 (up to a maximum of £5.00) will be shared by the Plan's participants. The total amount awarded to participants in the Plan was set as 5% of the number of shares in issue. The first measurement date was 31 March 2018 with a share price target of £3.00. The second measurement date was 31 March 2020 where the share price target was £4.00. Any rights obtained in March 2018 had to be held for 24 months before exercise. Any rights obtained in March 2020 must be held for twelve months before exercise.

The first tranche of the VCP has vested with the gateway share price of £3.00 having been exceeded on 31 March 2018. Pursuant to the VCP rules, any vested amount would be reduced by amounts vesting under the PSP schemes vesting in financial years 2018, 2019 and 2020 respectively. The second tranche did not vest as the target share price was not achieved.

The VCP will be equity settled and a charge has been calculated under IFRS 2 and applied in the current year. In determining the likelihood of the VCP vesting for the IFRS 2 charge, the Company used a simulation model to predict the various outcomes of share price at the target dates. The main assumptions used in the model were the expected volatility, expected dividends payable over the period, the risk free rate of return and the granting and vesting of other LTIP awards which are deducted from any VCP payment. These assumptions were all based on historical data as the best estimate of future outcome.28. Reconciliation of operating profit to operating cash flow and reconciliation of net cash.

28. 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

28. Reconciliation of operating profit to operating cash flow and reconciliation of net cash continued

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)**

29. Commitments

Capital commitments

The amount contracted but not provided for in the accounts at 31 March 2020 was £0.9m (2019: £4.9m).

At 31 March 2020 a total of £4.2m (2019: £2.9m) was authorised but not yet contracted.

30. Subsequent events

The Group has secured additional funding of £15.0m from its existing banking syndicate for a twelve-month period from 17 June 2020 in addition to the existing £80m revolving facility. Furthermore, on 14th May an equity placement of £32.6m gross for 30,758,649 shares, equating to approximately 20% of the issued share capital was also completed. This significantly strengthens the Balance Sheet.

Five-Year Financial Summary (unaudited)

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Group revenue	**320.6**	311.8	291.5	279.6	246.7
Group profits/(losses)					
Profit before taxation and exceptional items	**17.4**	27.7	28.7	22.8	16.4
Exceptional items ((charges)/income)	**(68.4)**	(12.8)	0.1	(1.0)	(6.6)
(Loss)/profit before taxation	**(51.0)**	14.9	28.8	21.8	9.8
Taxation	**1.5**	(6.7)	(5.3)	(4.2)	(3.7)
(Loss)/profit after taxation	**(49.5)**	8.2	23.5	17.6	6.1
Headline (loss)/earnings per share (p)	**(31.9)**	5.3	15.4	11.6	4.1
Net cash equivalents	**(74.6)**	(55.7)	(3.8)	(16.1)	(2.6)
Shareholders' funds – equity	**92.4**	139.4	118.9	100.4	77.7
Net assets per share (p)	**59.6**	90.5	77.7	66.4	52.4

Exchange rates (unaudited)

	2020	2019	2018	2017	2016
US $					
Closing	**1.24**	1.31	1.40	1.25	1.44
Average	**1.27**	1.32	1.33	1.32	1.50
Canadian $					
Closing	**1.76**	1.76	1.81	1.66	1.87
Average	**1.70**	1.73	1.71	1.72	1.97
Euro					
Closing	**1.13**	1.17	1.14	1.16	1.27
Average	**1.15**	1.14	1.14	1.20	1.36

Scapa Group plc
Parent Company Financial Statements

The separate financial statements of Scapa Group plc are presented on pages 131 to 144.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. They are therefore presented separately to the Group consolidated financial statements which have been prepared under International Financial Reporting Standards.

Company Balance Sheet
as at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Tangible fixed assets	5	**0.6**	0.6
Investments in subsidiary undertakings	6	**45.1**	137.1
Deferred tax asset	4	**–**	0.3
Debtors: amounts due after more than one year	7	**230.0**	216.2
		275.7	354.2
Current assets			
Debtors: amounts due within one year	7	**2.2**	6.7
Cash and cash equivalents		**0.2**	–
		2.4	6.7
Current liabilities			
Creditors: amounts falling due within one year	9	**(3.2)**	(4.1)
Net current (liabilities)/assets		**(0.8)**	2.6
Total assets less current liabilities		**274.9**	356.8
Creditors: amounts falling due after more than one year			
Creditors	9	**(129.0)**	(128.7)
Borrowings	8	**(71.0)**	(54.7)
		74.9	(183.4)
Provisions for liabilities and charges	10	**(0.1)**	(0.2)
Net assets excluding pension liability		**74.8**	173.2
Net pension liability	12	**–**	(1.5)
Net assets		**74.8**	171.7
Shareholders' funds			
Called-up share capital	11	**7.8**	7.7
Share premium		**1.0**	1.0
Other reserves		**10.1**	10.1
Profit and loss account		**55.9**	152.9
Shareholders' funds – equity		**74.8**	171.7

The notes on pages 136 to 144 form part of these financial statements.

The Company reported a loss for the financial year ended 31 March 2020 of £95.5m (2019: £10.7m).

The financial statements of Scapa Group plc, registered number 826179, were approved by the Board of Directors and authorised for issue on 23 June 2020. They were signed on its behalf by:

H R Chae
Group Chief Executive

O Zahn
Chief Financial Officer

Company Statement of Changes in Equity
for the year ended 31 March 2020

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2018	7.7	0.4	10.1	157.7	175.9
Loss for the year	–	–	–	(10.7)	(10.7)
Actuarial gain on pension schemes	–	–	–	8.8	8.8
Deferred tax on actuarial gain	–	–	–	(0.2)	(0.2)
Total comprehensive income	–	–	–	(2.1)	(2.1)
Issue of shares	–	0.6	–	–	0.6
Share options	–	–	–	1.0	1.0
Dividends to shareholders	–	–	–	(3.7)	(3.7)
Balance at 31 March 2019	7.7	1.0	10.1	152.9	171.7
Loss for the year	–	–	–	(95.5)	(95.5)
Actuarial gain on pension schemes	–	–	–	1.5	1.5
Deferred tax on actuarial gain	–	–	–	0.2	0.2
Total comprehensive income	–	–	–	(93.8)	(93.8)
Issue of shares	0.1	–	–	1.4	1.5
Share options	–	–	–	–	–
Equity-settled share-based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(4.5)	(4.5)
Balance at 31 March 2020	**7.8**	**1.0**	**10.1**	**55.9**	**74.8**

Statement of accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and in accordance with applicable law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year in dealing with items that are considered material in relation to the Company's financial statements. In accordance with Section 408 of the Companies Act 2006 a separate profit and loss account dealing with the results of the Company has not been presented.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

A summary of the Company's principal accounting policies is set out below. These have been applied consistently throughout the year and prior year.

Going concern

The Directors have at the time of approving the financial statements a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. In forming this opinion the Directors have taken into account three year forecasts for the Group that have been adjusted to take into account the potential impact of COVID-19, and have also been subject to sensitivity reviews taking account of some of the Group's principal risks and uncertainties. Further detail is contained in the Directors' Report on page 81 and in the Viability Statement on page 37. The Company has also secured a further unsecured £15m loan facility in addition to its existing £80m facility from June 2020, as a result of the COVID-19 pandemic, to strengthen the balance sheet and were able to raise £32.6m gross as a result of a placement in May 2020. These post COVID-19 actions further underpin the Board's confidence in the viability of the business.

Tangible fixed assets

Tangible fixed assets are stated at cost less cumulative depreciation and impairment. Depreciation is provided on the basis of writing off the cost of the relevant assets over their expected useful lives. The Company applies the straight-line method. The effect is to reduce the cost of plant, equipment, fixtures and computer systems to estimated residual value over a period of 5–20 years.

Financial instruments

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

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

Trade receivables

Trade receivables are recognised initially at invoice value, less provision for impairment. A provision for impairment of trade receivables is established to reflect expected future credit losses. The provision is recognised in the Income Statement as an operating charge.

Trade payables

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

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Temporary differences are differences between the Company's taxable profits and losses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

Dividends

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

Provisions

Provisions are made in accordance with IAS 37 where an obligation exists for a future liability in respect of a past event and where the amount of obligation can be reliably estimated.

Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment in value. Where circumstances indicate that there may have been impairment in the carrying value of a tangible or intangible fixed asset, an impairment review is carried out using cash flows from approved forecasts and projections discounted at the Group's weighted average cost of capital.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

For defined benefit schemes, the Company recognises plan assets where they are separable, solely for payment to the fund or to fund employee benefits, not available to the Company's creditors in bankruptcy and where the assets cannot be returned to the Company unless all employee benefit obligations are met.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate Trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained annually and are updated at each Balance Sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Balance Sheet.

Where a defined benefit pension scheme is in surplus this is recognised on Balance Sheet only to the extent the Group can demonstrate that it has an unconditional right to refund in relation to the surplus. Where an unconditional right to a refund can't be demonstrated the asset is restricted to nil.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Share-based payments

The Company has applied the requirements of IFRS 2 Share-based Payment.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each Balance Sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled employee benefits reserve.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange at the Balance Sheet date. Exchange differences on borrowings (including differences arising due to currency swaps) taken out to hedge overseas equity investments and on long-term loans which are considered equivalent to equity are taken to the translation reserve. All other differences are taken to the profit and loss account.

Consolidation

Consolidated accounts for the Company are prepared under International Accounting Standards and as a result these financial statements present information about the Company only.

Related parties

The Directors' Annual Remuneration Report can be found in the Annual Report on pages 74 to 80. The pension scheme is a related party to the Company; as at 31 March 2020 a contribution deferment of £2.0m had been agreed with the Trustees. There are no other related party transactions in the current or prior year. The Company is exempt under the terms of FRS 101 paragraph 8(j) from disclosing related party transactions entered into between two or more members of a group provided that any subsidiary which is party to a transaction is wholly owned by a member.

Critical accounting estimates and judgements

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

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

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

In the process of applying the Company's accounting policies, which are described above, the Directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below) and has been particularly complex or involving subjective assessments:

The pension scheme, when measured under IAS 19, resulted in a surplus of £2.8m and the recognition of this surplus was assessed in line with the requirements of paragraph 11(b) of IFRIC 14. This states that the pension surplus can be recognised in the accounts if the Company can demonstrate an unconditional right to a refund in all of the three circumstances specified in IFRIC 14; these three scenarios are:

- Scenario A – during the life of the plan, without assuming that the plan liabilities must be settled in order to obtain the refund (e.g. in some jurisdictions, the entity may have a right to a refund during the life of the plan, irrespective of whether the plan liabilities are settled);
- Scenario B – assuming the gradual settlement of the plan liabilities over time until all members have left the plan; or
- Scenario C – assuming the full settlement of the plan liabilities in a single event (i.e. as a plan wind-up).

The Company cannot demonstrate an unconditional right to a refund in either Scenario A or C, but can demonstrate this right in Scenario B, i.e. the gradual settlement of the scheme liabilities over time until all members have left the scheme.

As the Company cannot demonstrate an unconditional right to a refund of surplus in all the scenarios, no surplus has been recognised for the defined benefit scheme in the Company accounts.

(b) Key sources of estimation uncertainty

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

- Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future assumptions in relation to the discount rate applied in the calculation of scheme liabilities, which are set out in note 12, represent a key source of estimation uncertainty for the Company. The Company also applies sensitivities to these assumptions to assess the financial impact; these sensitivities are set out in note 12.
- Carrying value of investments and subsidiary loan impairments – the assessment of the discounted cash flows and the key inputs into the future forecasts for the investments involve the use of a market participant discount rate calculated at a CGU level. This includes the addition of a premium to reflect the current size and market capitalisation of the Company and compares this to a set of relevant comparators. The cash flows used for these assessments have been calculated using a Board approved forecast which includes the potential impact of the COVID-19 global pandemic.

1. Profit and loss account

The Company's loss in the year is £95.5m (2019: £10.7m). As permitted by Section 408 of the Companies Act 2006 a separate profit and loss account has not been presented. Loss on ordinary activities before taxation is stated after (charging)/crediting:

	2020 £m	2019 £m
Depreciation of tangible fixed assets, owned	**(0.1)**	(0.2)
Foreign exchange (losses)/gains	**(0.3)**	0.1
Directors' and employee costs	**(3.5)**	(4.9)
Investment impairment	**(92.0)**	–
Loan impairment	**(6.4)**	–

2. Fees payable to the Company's auditor

For the year ended 31 March 2020

	2020 £'000	2019 £'000
Auditor's remuneration:		
– Audit of the Company	**102**	113
– Audit-related assurance services	**10**	10
– Other non-audit services	**31**	31
	143	154

Total audit fees were £102,000 (2019: £113,000). Total non-audit fees payable to the auditor were £41,000 (2019: £41,000). Other non-audit services relate to remuneration advice.

3. Staff costs

	2020 £m	2019 £m
Wages and salaries	**3.0**	2.9
Social security costs	**(1.0)**	0.5
Share options granted to Directors and employees	**1.4**	0.7
Pension costs – defined contribution plans	**0.1**	0.1
	3.5	4.2
Pension GMP equalisation	**–**	0.7
	3.5	4.9

	2020	2019
Average employee numbers	**32**	30

Directors emoluments can be found on page 74 with the details of the highest paid Director. Sevan Demirdogen and Joe Doherty are not employed by the Company.

4. Taxation

Income tax credit

	2020 £m	2019 £m
Current tax:		
Tax on trading profit – current year	**(0.2)**	(0.1)
Tax on trading profit – prior year	**(0.1)**	0.7
Total current tax	**(0.3)**	0.6
Deferred tax:		
Tax on trading profit – current year	**0.2**	(0.7)
Tax on trading profit – prior year	**(0.7)**	0.1
Total deferred tax	**(0.5)**	(0.6)
Tax charge for the year	**(0.8)**	–

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

	2020 £m	2019 £m
Loss on ordinary activities before tax	**(94.7)**	(10.7)
Tax credit at 19% (2019: 19%)	**18.0**	2.0
Movements to unprovided deferred tax	**0.9**	0.6
Items not deductible for tax purposes and other taxable items	**(18.9)**	(3.4)
Adjustments in respect of prior years	**(0.8)**	0.8
Actual tax charge for the year	**(0.8)**	–

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/liability:		
– Retirement benefit liabilities	**–**	0.3

Tax assets amounting to £1.1m (2019: £2.7m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in the UK.

Movement in deferred tax	2020 £m	2019 £m
Beginning of the year	**0.3**	1.1
Income Statement charge	**(0.5)**	(0.6)
Deferred tax on actuarial gain	**0.2**	(0.2)
End of the year	**–**	0.3

4. Taxation continued
Income tax credit continued

Deferred tax items have not been recognised in respect of the following items	2020 £m	2019 £m
Accelerated capital allowances	**1.1**	1.3
Temporary differences	**(0.1)**	–
Tax losses	**0.1**	1.4
Total	**1.1**	2.7

5. Tangible fixed assets

	Plant, equipment, fixtures and computer systems £m
Cost	
At 1 April 2019	13.4
Additions	0.5
At 31 March 2020	**13.9**
Depreciation	
At 1 April 2019	(12.8)
Depreciation	(0.1)
Impairment	(0.4)
At 31 March 2020	**(13.3)**
Net book value at 31 March 2020	**0.6**
Net book value at 31 March 2019	0.6

6. Investments

	Shares in Group undertakings £m
Cost	
At 1 April 2019	137.1
Provision for impairment	
At 1 April 2019	–
Impairment in the year	(92.0)
At 31 March 2020	**(92.0)**
Net book value at 31 March 2020	**45.1**
Net book value at 31 March 2019	137.1

The carrying value of the Company's investments is tested for impairment at March 2020. As a result of this test impairments have been booked for the investments in Porritts and Spencer Ltd £83.0m and First Water £9.0m.

The recoverable amount has been determined on a value-in-use basis on each cash-generating unit using the management approved twelve-month forecasts for each cash-generating unit. Given the timing of the onset of the global COVID-19 pandemic, the forecasts were also adjusted to take account of any potential impact on the future cash flows.

The base twelve-month projection encompassing management's best estimate of the impact of COVID-19 on trade 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 1.0% growth and costs through to year 20, with a terminal value calculated on a perpetuity basis.

These cash flows are discounted at a pre-tax discount rate ranging between 15.0% to 18.1% (2019: 10.0%) and adjusted for specific risk factors that take into account the sensitivities of the projection.

The Company's subsidiaries are shown in note 14.

7. Debtors

	2020 £m	2019 £m
Amounts due within one year		
Amounts owed by subsidiary undertakings	**1.3**	4.2
Other debtors	**0.2**	0.6
Prepayments and accrued income	**0.7**	1.9
Total amounts due within one year	**2.2**	6.7
Amounts due after more than one year		
Amounts owed by subsidiary undertakings	**230.0**	216.2

The terms of loans owed by subsidiary undertakings vary; expiry of these ranges from 2020–2025. The loans are unsecured and carry interest at a variable rate between 1.06% and 6.25%.

8. Bank loans and overdrafts

In October 2017 the Group entered into a revolving credit facility (RCF) with a bank 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, £10m of which 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 borrowings of the Company under the facility at the Balance Sheet date were as follows:

	2020 £m	2019 £m
Bank loans	**71.0**	54.7

The effective interest rate at the Balance Sheet date was as follows:

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

	2020 £m	2019 £m
Bank loan drawdown	**71.0**	54.7

The Company, along with other subsidiaries in the Group, has the following undrawn borrowing facilities, being the unused portion of the £80.0m committed facility:

	2020 £m	2019 £m
Floating rate	**7.2**	15.3

9. Creditors

	2020 £m	2019 £m
Amounts due within one year		
Amounts owed to subsidiary undertakings	**0.5**	0.1
Other creditors, including taxation and social security	**2.7**	4.0
Total amounts due within one year	**3.2**	4.1
Amounts due after more than one year		
Amounts owed to subsidiary undertakings	**129.0**	128.7

The terms of loans owed to subsidiary undertakings vary; expiry of these ranges from 2020–2024. The loans are unsecured and carry interest at a variable rate between 1.83% and 6.25%.

10. Provisions

	2020 £m	2019 £m
At 1 April	**0.2**	0.1
Additions in the year	**–**	0.3
Utilised in the year	**(0.1)**	(0.2)
At 31 March	**0.1**	0.2

The provision relates to reorganisation costs incurred by the Company in relation to a site closure in the UK and is expected to be utilised within one year.

11. Share capital

	2020 £m	2019 £m
Allotted, issued and fully paid		
155,242,923 (2019: 154,650,532) shares of 5p each	**7.8**	7.7

The movement in share capital relates to share options (see note 27 of the Group accounts).

	Number of shares
31 March 2019	154,650,532
SAYE and Performance Share Plan options exercised in the year	592,391
31 March 2020	**155,242,923**

Share options

Potential issues of ordinary shares and share options for the Company are disclosed in note 27 of the Group accounts.

12. Retirement benefit obligations

(a) Defined contribution scheme

The Company operates a defined contribution scheme in the UK. Employer's contributions are charged to the profit and loss account as incurred. The total pension cost for the Company in respect of this scheme for the year ended 31 March 2020 was £0.1m (2019: £0.1m).

(b) Defined benefit schemes

The Company is a sponsoring employer to the Scapa Group plc pension scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employers, Scapa Group plc and Scapa UK Ltd. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional Trustee.

12. Retirement benefit obligations continued

(b) Defined benefit schemes continued

The IAS 19 Retirement Benefits valuations have been updated from the prior year using the formal triennial actuarial valuation calculations carried out as at 1 April 2017 (completed in June 2018), in order to assess the liabilities of the schemes at 31 March 2020. Scheme assets are stated at their market value at 31 March 2020. The next formal triennial valuation is due on 1 April 2020 and will be completed no later than 30 September 2021.

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19.

	2020	2019
Discount rate	**2.25%**	2.35%
Salary rises	**–**	–
Price inflation (RPI)	**2.50%**	3.20%
Price inflation (CPI)	**1.55%**	2.20%
Future pension increases – RPI max 5%	**2.50%**	3.07%
Future pension increases – RPI max 3%	**2.16%**	2.40%
Amount of pension commuted for cash	**25.00%**	25.00%

The salary increase assumption is no longer relevant in the UK as the scheme is closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK scheme is set out in the table below.

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2020, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2018 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the scheme's membership. The results of this exercise showed that a best estimate adjustment to the base table used by the formal triennial actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2020 disclosures.

Actuarial assumption sensitivities

The calculation of the scheme's deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

	2020 £m
Rate of inflation	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of inflation	**4.7**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of inflation	**(4.8)**
Discount rate	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of discount	**(9.0)**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of discount	**10.0**
Mortality	
Life expectancy of members increases by one year	**6.4**
Life expectancy of members decreases by one year	**(6.4)**
Current pensioners (years):	
Male life expectancy at age 65	**85.5**
Female life expectancy at age 65	**87.5**
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	**86.8**
Female life expectancy at age 65 (currently aged 45)	**89.0**

12. Retirement benefit obligations continued

Actuarial assumption sensitivities continued

The amounts recognised in the Balance Sheet are determined as follows:

UK scheme	2020 Value £m	2019 Value £m
Overseas equities	**12.2**	11.7
Corporate bonds	**50.1**	52.4
Fixed interest government bonds	**13.1**	9.9
Index-linked government bonds	**8.8**	15.6
Property	**1.3**	1.2
Hedge funds	**2.7**	2.9
Cash and cash equivalents	**4.7**	1.8
Total market value of assets*	**92.9**	95.5
Present value of scheme liabilities	**(90.1)**	(97.0)
Surplus restriction	**(2.8)**	–
Net deficit in the scheme	**–**	(1.5)

* No quoted market price in active market for the UK scheme investments for 2020 (2019: same)

The amounts recognised in the Income Statement are as follows:

	2020 £m	2019 £m
Pension GMP equalisation	**–**	(0.7)
Total included within staff costs	**–**	(0.7)
Interest income on scheme assets less interest on scheme liabilities	**–**	(0.2)
Total included within finance costs	**–**	(0.2)
Total expenses charged through the Income Statement	**–**	(0.9)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2020 £m	2019 £m
Actual return less interest income on scheme assets	**0.2**	5.9
Changes in assumptions underlying the present value of the scheme liabilities:		
– Financial assumptions	**2.6**	2.9
Surplus restriction	**(2.8)**	–
Total amounts recognised in the Statement of Comprehensive Income	**–**	8.8

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2020 £m	2019 £m
Beginning of the year	**95.5**	92.8
Expected return on scheme assets	**2.2**	2.2
Actual return less expected return on scheme assets	**1.7**	5.9
Benefits paid	**(6.5)**	(5.4)
End of the year	**92.9**	95.5

12. Retirement benefit obligations continued

Analysis of movement in scheme liabilities

	2020 £m	2019 £m
Beginning of the year	**(97.0)**	(102.2)
Pension GMP equalisation (included within staff costs)	**–**	(0.7)
Interest on scheme liabilities	**(2.2)**	(2.4)
Changes in assumptions	**2.6**	2.9
Benefits paid	**6.5**	5.4
End of the year	**(90.1)**	(97.0)

Analysis of movement in Balance Sheet liability

	2020 £m	2019 £m
Beginning of the year	**(1.5)**	(9.4)
Total remeasurements	**4.3**	8.8
Expenses in the profit and loss account	**–**	(0.9)
Surplus restriction	**(2.8)**	–
Net deficit in the scheme	**–**	(1.5)

	2020 FRS 101 £m	2019 FRS 101 £m	2018 FRS 101 £m	2017 FRS 101 £m	2016 FRS 101 £m
Present value of defined benefit obligations	**(90.1)**	(97.0)	(102.2)	(111.6)	(97.4)
Fair value of plan assets	**92.9**	95.5	92.8	95.6	84.0
Adjustment relating to asset ceiling and minimum funding requirements	**(2.8)**	–	–	–	–
Deficit in the plan	**–**	(1.5)	(9.4)	(16.0)	(13.4)
Experience adjustments on plan liabilities	**2.6**	2.9	4.0	(16.4)	6.4
Experience adjustments on plan assets	**1.7**	5.9	3.0	14.0	1.1

13. Dividend per share

No final dividend has been proposed for the year ended 31 March 2020 (2019: 2.9p) as a result of the uncertainty surrounding the global COVID-19 pandemic as the Company aims to further strengthen its Balance Sheet.

14. Subsidiary undertakings

As at 31 March 2020 the subsidiaries of the Company were:

Holding and management companies	Registered office and country of incorporation	
Scapa Group Holdings GmbH	Nottendorfer Gasse 11, 1030 Wien, Austria	Holding company
Porritts & Spencer Ltd*	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Holding company
Scapa Holdings GmbH	Carl-Reuther-Straße 3, 68305, Mannheim, Germany	Holding company
Scapa (HK) Holdings Ltd	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	Holding company
Scapa Denver (North) Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Holding company
Scapa North America Inc	111 Great Pond Drive, CT, US	Holding company
Scapa (No2) Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Scapa Blackburn Ltd*	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Scapa General Partner Ltd	13 Queen's Road, Aberdeen, Scotland	Non-trading
Scapa Pension Trustees Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Scapa Scottish Ltd Partnership	13 Queen's Road, Aberdeen, Scotland	Non-trading
Scapa Tapes NA (Carlstadt) Inc	111 Great Pond Drive, CT, US	Non-trading
Scapa Healthcare Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Technical tapes companies		
Scapa Brasil Ltda	Avenida Francisco Matarazzo, 1720, Sala 2615, Agua Branca, São Paulo, Brazil	
Scapa Tapes North America Ltd	609 Barnet Boulevard, RR 3 Stn. Main, Renfrew, Canada	
Scapa (Shanghai) International Trading Company Ltd	1–17 1st Floor No55, Hua Shen Road, Waigaoqiao Free Trade Zone, Shanghai, China	
Scapa UK Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Groupe Scapa France SAS	79 Allée Bernard Palissy, 26001 Valence, France	
First Water Ltd*	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
First Water Ramsbury Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Scapa Deutschland GmbH	Carl-Reuther-Straße 3, 68305, Mannheim, Germany	
Scapa Hong Kong Ltd	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	
Scapa Tapes India Private Ltd	17/2B3, Pudupakkam Village, Thiruporur-TK, Kancheepuram Dist, Tamilnadu, 603 103, India	
Scapa Italia SpA	Via Vittorio Emanuele 2nd 27, 13030 Ghislarengo VC, Italy	
Scapa Korea Co. Ltd	100 Hangang-daero, Yongsan-gu, Seoul 04386, Korea	
Scapa Tapes Malaysia Sdn Bhd	8 Jalan Kartunis U1/47 Temasya Ind Park, 40150 Shah Alam, Malaysia	
Scapa Tapes North America LLC	111 Great Pond Drive, CT, US	
EuroMed Inc	25 Corporate Drive, Orangeburg, NY 10962, US	
Markel Industries Inc	135A Sheldon Road, Manchester, CT, US	
BioMed Laboratories LLC	8181 Eastpoint Drive, Dallas, TX, 75227, US	
Systagenix Wound Management Manufacturing Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Crawford Manufacturing Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Minority shareholdings		
Edixomed Ltd**	England	

All the shareholdings are ordinary shares and the subsidiaries listed are wholly owned and are incorporated in and operate from the countries named, with the exception of entities under minority shareholdings.

* Denotes the undertakings which are held directly by Scapa Group plc

** Edixomed Ltd is a clinical stage biopharmaceutical company. The company aims to take early stage products through stages of clinical and commercial development to maximise value to the business. The investment is held at cost

15. Subsequent events

The Company has secured additional funding of £15.0m from its existing banking syndicate for a twelve-month period from 17 June 2020 in addition to the existing £80m revolving facility. Furthermore, on 14th May an equity placement of £32.6m gross for 30,758,649 shares, equating to approximately 20% of the issued share capital was also completed. This significantly strengthens the Balance Sheet.

Company information

Key dates

Next Annual General Meeting	7 August 2020
Next Interim Results	17 November 2020
Next Year End (to be reported)	31 March 2021
Next Preliminary Announcement	25 May 2021
Next Annual Report due	June 2021

Shareholder information

Shareholder enquiries should be directed to the Company's registrars, Link Asset Services, at its Customer Support Centre, details as follows:

By phone: UK – 0371 664 0300 or from overseas call +44 (0) 371 664 0300 – calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am and 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

By email: shareholderenquiries@linkgroup.co.uk.
By post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Further information regarding the various services offered by Link Asset Services, including the Share Portal and Share Dealing Service, can be obtained from the above or directly from Link's website, www.signalshares.com or www.linksharedeal.com.

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