



RESILIENT FOCUSED INNOVATIVE

Scapa Group plc
Interim Report 2020

SCAPA

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



GROUP FINANCIAL HIGHLIGHTS

Financial highlights (statutory measures)

- Revenue declined by 24.1% to £122.0m (2019: £160.8m) with the impact of the COVID-19 pandemic
- Operating profit increased to £1.0m (2019: £0.1m)
- Loss before tax reduced to £0.5m (2019: loss of £1.0m)
- Basic loss per share improved to 0.2p (2019: loss of 0.6p)

Financial highlights (adjusted measures)

- Trading profit £5.5m (2019: £14.2m) impacted by reduced volumes but offset by targeted cost savings and government subsidies
- Adjusted earnings per share of 2.0p (2019: 7.0p)
- Net debt of £40.4m (31 March 2020: £74.6m) reflecting the cash inflow from the equity placement in May 2020 of £31.6m
- Adjusted net debt improved to £21.8m (31 March 2020: £54.4m), a leverage of 0.7x EBITDA

We monitor the underlying financial performance of the Group using alternative performance measures. These measures are not defined in International Financial Reporting Standards (IFRS) and, therefore, are considered to be non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate. For alternative performance measure definitions see glossary on page 8.

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Highlights



HEALTHCARE

Revenue	Trading profit	Margin
£55.1m	£1.3m	2.4%
(2019: £74.7m)	(2019: £6.6m)	(2019: 8.8%)

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.

Highlights

- Revenue decreased 26.2% to £55.1m (2019: £74.7m) with declines seen in Wound Care and Medical Devices
- Consumer grew 2.9% driven by two technology transfers completed last year
- Demand across the segments has been impacted by the postponement of elective surgeries and reduced footfall across the retail channels; early signs of improvement in Q3, albeit cautious given the global resurgence of COVID-19 infections
- Trading profit decreased to £1.3m (2019: £6.6m); impacted by lower volume but offset by targeted cost control measures and government subsidies
- Completed planned consolidation of Dunstable and Inglewood sites into Gargrave and Knoxville, respectively; cost benefit from right-sizing expected in H2



INDUSTRIAL

Revenue	Trading profit	Margin
£66.9m	£6.1m	9.1%
(2019: £86.1m)	(2019: £10.2m)	(2019: 11.8%)

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.

Highlights

- Revenue decreased 22.3% to £66.9m (2019: £86.1m); demand has recovered to pre-COVID-19 levels at the end of Q2
- The recovery from Q1 has been seen across all segments and geographies particularly in Construction and Automotive
- Trading profit decreased to £6.1m (2019: £10.2m); impacted by lower volume but offset by a positive product mix and targeted cost control measures
- New programme wins in Automotive, Cable and Consumer
- Product expansion, including facemasks, antibacterial wipes and eco-friendly roofing solutions, reflecting the Group's flexibility to respond to market needs

MEASURING OUR STRATEGIC OBJECTIVES

Trading profit margin (%)

4.5%

20	4.5
19	8.8
18	12.2
17	11.5

Revenue (%)

(24.1%)

20	(24.1)
19	14.3
18	(3.4)
17	7.5

Adjusted earnings per share (p)

2.0p

20	2.0
19	7.0
18	8.3
17	8.3

Lost time injury frequency rate (LTIFR)

0.6

20	0.6
19	0.4
18	0.9
17	1.1

Underlying cash flow from operations (£m)

£15.3m

20	15.3
19	18.9
18	13.4
17	16.4

Adjusted return on capital employed (%)

3.0%

20	3.0
19	5.7
18	9.5
17	9.8

Capital expenditure (£m)

£3.5m

20	3.5
19	8.0
18	4.5
17	2.4

For the full definition of KPIs please refer to pages 22 and 23 of the Annual Report, which is available at www.scapa.com. Certain KPIs are only considered meaningful on an annual basis and so are not reported in the interim results.

RESILIENT FINANCIAL RESULT, AHEAD OF BOARD EXPECTATIONS



This has been a tough time for all businesses, but we have remained focused on doing the right thing for our people and our customers, making sure that we emerge from the pandemic as a stronger and better organisation.

Chris Brinsmead, CBE
Chairman

Dear Shareholder,

I am pleased to join Scapa at an important juncture in its journey. It has two well-placed businesses each with its own strategy and management team, each facing great opportunities for growth. As I review the results for the past six months, I am very impressed with how Scapa has responded to the global pandemic. This is a testament to the extraordinary efforts of our employees who have gone above and beyond to ensure we maintained operations throughout the pandemic, supporting our commercial partners. I look forward to playing a part in the next stages of our strategy.

During the COVID-19 pandemic, Scapa has demonstrated the resilience of both its Industrial and Healthcare business units. As a designated essential business, we have maintained operations during the pandemic thanks to the dedication and efforts of our colleagues around the world. As the world slowly returns to normality, we have focused on customer engagement and anticipated market demand, which will help us return to pre-COVID-19 revenue levels. As we exit the first half of the year, whilst there are uncertainties with the resurgence of COVID-19 and lockdowns, we are seeing the demand in Industrial returning to last year's levels across all segments and geographies. We are also seeing recovery in the Healthcare segments, albeit slower than Industrial, following the postponement of elective surgeries across the world. Despite the challenging environment, we have also continued to focus on developing our existing and new business pipeline, leveraging our customer portfolio and

creative approaches, including virtual plant tours and workshops. We believe that our long-standing relationships and customer knowledge made the engagement possible during the current environment.

At the onset of the pandemic, we reacted quickly and swiftly to put in place strategic and operational actions to enable us to weather the past six months. We raised £31.6m through an equity placement to strengthen our Balance Sheet and focused on controlling our working capital and cash flow. We accessed government subsidies in the jurisdictions in which we operate to support our employees. In addition, we reinvigorated our self-help agenda to drive cost control and margin optimisation including price increases and portfolio rationalisation. We have also right-sized the organisation across the entire Group to better position us as we emerge from the pandemic.

The Group has continued to track ahead of its COVID-19 plan that was developed as we moved into the global pandemic, acting to implement structural cost changes across the business, matching variable costs more closely to the reduced demand. Revenue fell by 24.1% to £122.0m (2019: £160.8m). Group trading profit fell by 61.1% to £5.5m (2019: £14.2m). The Group trading profit also includes a release of £1.2m relating to multi-year share options which will not achieve the vesting performance criteria and have therefore been reversed in-line with the requirements of IFRS 2 Share Based Payments.

Interim management report continued

Operating profit was £1.0m (2019: £0.1m) as a result of lower exceptional costs compared to last year. Exceptional items were £2.8m (2019: £10.6m), with the prior year particularly impacted by exceptional costs associated with the loss of the ConvaTec contract. The loss before tax for the period is £0.5m (2019: loss of £1.0m), with a tax credit of £0.1m (2019: £Nil), resulting in a loss for the half year period of £0.4m (2019: loss of £1.0m). The underlying effective tax rate for the period is 25.5% (2019: 19.4%), with an increase in the blended rate from a movement in profits towards the higher tax rate jurisdictions. The basic loss per share was 0.2p (2019: loss of 0.6p). When adjusted for exceptional items, pensions administration costs, acquisition costs, amortisation and non-cash interest, earnings per share was 2.0p (2019: 7.0p).

Exceptional items (explained further in note 4) in the period included site closure and reorganisation costs of £3.1m relating to the integration of the Dunstable activities into the Gargrave site and the integration of the Inglewood site into Knoxville; legal costs associated with the ongoing litigation against ConvaTec Inc for breach of contract of £1.2m; and the Group released £1.5m held on escrow from the BioMed acquisition which is shown as an exceptional gain during the period.

A reconciliation between trading profit and statutory operating profit is shown below:

	30 Sept 2020	30 Sept 2019
Trading Profit	5.5	14.2
Amortisation	(1.4)	(3.0)
Exceptional items	(2.8)	(10.6)
Acquisition costs	–	(0.1)
Pension admin costs	(0.3)	(0.4)

Adjusted net debt stood at £21.8m (31 March 2020: £54.4m), reflecting strong cash conversion despite the impact of the COVID-19 pandemic and allowing for the net proceeds of £31.6m from the equity placement in May 2020. We maintain material headroom against our banking covenants. Leverage stood at 0.7x EBITDA based on pre IFRS 16 GAAP, which excludes the impact of lease liabilities, and reflects the focus on protecting cash and effective management of working capital during the first half.

Scapa's Divisions

Scapa is organised into two business units serving the Healthcare and Industrial markets, primarily in Europe and North America.

- 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.
- 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.

Markets

Healthcare

Six months ended	Statutory		Continuing	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
Revenue (£m)	55.1	74.7	51.4	71.1
Trading profit/loss (£m)	1.3	6.6	(2.3)	3.0
Trading margin (%)	2.4%	8.8%	(4.5%)	4.2%

The strategy of our Healthcare business is to continue to be the trusted strategic turn-key partner of choice for the world's leading companies in Advanced Wound Care, Consumer Wellness and Medical Devices.

Healthcare revenue fell 26.2% and on a continuing basis is 27.6% below last year, ahead of our COVID-19 plan. Excluding the ConvaTec revenue in the prior year of £3.5m, the difference is 22.6% on a statutory basis. The decline in revenue compared to the prior year is the result of the impact of the COVID-19 pandemic in delaying elective surgeries and dampening consumer demand.

Healthcare trading profit fell to £1.3m (2019: £6.6m) and on a continuing basis, a trading loss of £2.3m (2019: £3.0m profit), with the business unit having been impacted by the loss of volume during the first half year. This trading result benefited from £3.2m of government assistance. The second half of the year will benefit from the cost improvement plans under way and the anticipated increased sales versus the first half. The business will also start to see the benefit of operational efficiencies as a result of the closures of Dunstable in the UK and Ingleswood in the US. In addition New Product Development initiatives are running at £12.9m on an annualised basis and we are continuing to see early opportunities from onshoring activities.

Industrial

Six months ended	30 Sept 2020	30 Sept 2019
Revenue (£m)	66.9	86.1
Trading profit (£m)	6.1	10.2
Trading margin (%)	9.1%	11.8%

Industrial revenue decreased 22.3% to £66.9m (2019: £86.1m) but was ahead of our COVID-19 plan, as the business was impacted by the global pandemic across all sectors. The gap to prior year progressively improved in the first half and we anticipate in the second half that Industrial revenue should meet the prior year's level.

Trading profit for the period was £6.1m (2019: £10.2m), a fall of 40.2% and includes the benefit of £1.6m from government support schemes. Industrial trading margins fell back to 9.1% from the 31 March 2020 position of 11.6%. The margins in the first half were impacted by a good product mix driven by Cable and strong demand for our Barnier® and Polyflex® brands in Construction and Consumer, helping to partially offset the overall volume reduction. Automotive and sales from our Indian business were significantly lower in the first part of the half before seeing a strong recovery. We expect this trend to continue in the second half.

Balance Sheet

Net assets at 30 September 2020 increased by £25.2m to £117.6m (31 March 2020: £92.4m), mainly as a result of a movement in equity and the cash proceeds from the recent placement, with the creation of a new merger reserve for £29.6m. Foreign exchange movements had a negative impact of £2.5m during the first half period.

The Group arranged a £15.0m facility from its existing banking syndicate in June 2020 for a twelve-month period to strengthen its Balance Sheet as a result of the global pandemic.

The Group net debt balance was £40.4m (31 March 2020: £74.6m), with the adjusted net debt reducing to £21.8m (31 March 2020: £54.4m) excluding the impact of lease liabilities. This positive movement was supported by the equity placement with net proceeds of £31.6m in May 2020, but also represents strong cash management by the Group, particularly in reducing working capital to align with the COVID-19 impact on business performance.

Pensions

The pension deficit reduced to £5.8m (31 March 2020: £6.1m) reflecting the unfunded statutory retirement and termination schemes in France, Italy and the US. The UK defined benefit scheme remained in a small surplus position; however, the Group does not recognise this surplus of £4.9m (31 March 2020: £4.2m) in line with the requirements of the IFRIC 14 guidance, and therefore the UK scheme is held at a value of £Nil (31 March 2020: £Nil).

Cash resources

Net cash generated from operations was £9.3m (2019: £13.5m), which increases to £15.3m (2019: £18.9m) before exceptional items, reflecting the continued strong cash generation of the business despite the impact of COVID-19.

Capital expenditure in the period was £3.5m (2019: £8.0m) as a result of cash management.

Pension payments in excess of operating charge was £2.6m (2019: £2.3m) and represents the deficit repair payments and contributions to scheme expenses.

Dividend

The Board recommended that no dividend be declared for the FY20 year to support the process of strengthening the Group Balance Sheet following the onset of the COVID-19 pandemic. In line with last year, the Board does not propose an interim dividend.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that these principal risks and uncertainties have changed since publication of the annual report for the year ended 31 March 2020, which included consideration of the risks associated with both COVID-19 and Brexit.

Going concern

As stated in note 1 to these condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

Board changes

I was delighted to join Scapa in August 2020 as Chairman of the Board. I look forward to building on the Company's strong market position as a trusted partner to further grow the business. During the half year, Scapa has undergone additional Board and leadership changes, including the appointment of John Petreanu as President of Healthcare. In addition, Heejae Chae, Group Chief Executive of Scapa, also assumed the role of President of Industrial. Lastly, David Blackwood, Non-Executive Director, informed the Board of his intention to step down by the end of the calendar year after four years with the Company. We welcome all new team members and thank those who have stepped down for their contribution to the Group. We wish them all the best in their future endeavours.

Summary and outlook

Scapa delivered a resilient first half performance, ahead of its COVID-19 plan and the Board's expectations. As we enter the second half, demand has recovered to pre-COVID-19 levels in Industrial and there are encouraging signs of improvement in Healthcare, which is driving momentum across both divisions. Whilst uncertainties remain given the recent global resurgence of COVID-19, revenue in both divisions in the second half is expected to exceed the first half, with earnings benefiting from additional volumes and cost improvement programmes already implemented. The Group continues to track ahead of the COVID-19 plan.



C Brinsmead, CBE

Chairman

17 November 2020

Responsibility statement

The Directors who held office at the date of approval of these Financial Statements confirm that to the best of their knowledge:

- the Condensed Consolidated Half Year Financial Statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union; and
- the Half Year Management Report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the half year ended 30 September 2020 and their impact on the Condensed Consolidated Half Year Financial Statements, and a description of the principal risks and uncertainties for the remaining second half of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the half year ended 30 September 2020 and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

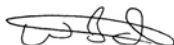
The Board

The Directors serving at the 30 September 2020 were as follows:

- Chris Brinsmead, CBE – Chairman
- Heejae Chae – Chief Executive
- Oskar Zahn – Chief Financial Officer
- David Blackwood – Non-Executive Director
- Brendan McAtamney – Non-Executive Director
- Dr Tim Miller – Non-Executive Director

The responsibilities of the Directors during their period of service were as set out on page 83 of the 2020 Annual Report.

By order of the Board



W Baker
Company Secretary
17 November 2020

Glossary of alternative performance measures

In order to monitor the underlying performance of the Group on a consistent basis, the Group uses certain alternative performance measures. These measures are not defined in International Financial reporting standards (IFRS) and therefore are considered to be non-statutory and non-GAAP (Generally Accepted Accounting Principles) measures. Accordingly, the relevant IFRS measures are also presented where appropriate. These alternative performance measures are defined in the glossary below:

Measure	Definition	Purpose
Constant currency	Prior year results translated at current years average exchange rates	Allows management to compare performance excluding currency fluctuations
Group trading profit	Operating profit before exceptional items*, acquisition costs, amortisation of intangible assets and legacy pension costs. Trading profit for the Business Units are the Group's IFRS 8 profitability measure and are reconciled in note 2	Provides a measure of operating profitability that is comparable over time
Continuing basis	Group results before the impact of IFRS 15 provision release for the Systagenix acquisition	Provides a measure of underlying performance that is comparable over time
Net debt	Cash and cash equivalents net of borrowings including restricted cash and unamortised debt issue costs	Allows management to monitor the indebtedness of the Group
Adjusted net debt	Cash and cash equivalents net of borrowings including restricted cash and unamortised debt issue costs excluding the impact of lease liabilities	Allows management to monitor the indebtedness of the Group at pre IFRS 16 GAAP
Trading profit margin	Trading profit as a percentage of revenue	Provides a measure of performance that is comparable over time
Adjusted earnings per share	Profit after tax excluding exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs and non-cash interest divided by the weighted average number of ordinary shares	Provides a measure of share holder returns that is comparable over time
Adjusted effective tax rate	Tax on trading activities divided by operating profit excluding exceptional items*, acquisition costs, amortisation of intangible assets and legacy pension costs less interest on bank borrowings	Provides a measure of the effective tax rate that is comparable over time
EBITDA	Operating profit excluding depreciation, exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs	Provides a measure of operating profitability that is comparable over time
Net cash flow from operations	Cash from operating activities before cash outflow from exceptional items	Provides a measure of cash flow from operations over time
Leverage	Ratio of net debt (at pre IFRS 16 GAAP) to EBITDA. Pre IFRS 16 GAAP excludes the impact of IFRS 16 Leases	Demonstrates the Group's ability to cover its debts on a comparable basis to prior years

* Items which are both material, either qualitatively or quantitatively, and non-recurring in nature

Independent review report to Scapa Group plc

We have been engaged by the company to review the condensed set of financial statements for the half-yearly financial report for the six months ended 30 September 2020 which comprises the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

For and on behalf of Deloitte LLP

Statutory Auditor
Manchester, UK
17 November 2020

Consolidated Income Statement

For the half year ended 30 September 2020

	Note	Half year ended 30 Sept 2020 unaudited £m	Half year ended 30 Sept 2019 unaudited £m	Year ended 31 Mar 2020 audited £m
Revenue	2	122.0	160.8	320.6
Operating profit/(loss)	2	1.0	0.1	(47.3)
Trading profit*		5.5	14.2	27.8
Amortisation of intangible assets		(1.4)	(3.0)	(5.8)
Exceptional items	4	(2.8)	(10.6)	(68.4)
Acquisition Costs		–	(0.1)	(0.2)
Pension administration costs		(0.3)	(0.4)	(0.7)
Operating profit/(loss)	2	1.0	0.1	(47.3)
Net finance costs	7	(1.5)	(1.1)	(3.7)
Loss on ordinary activities before tax		(0.5)	(1.0)	(51.0)
Taxation credit	8	0.1	–	1.5
Loss for the period		(0.4)	(1.0)	(49.5)
Weighted average number of shares (m)		179.3	155.0	155.1
Basic loss per share (p)		(0.2)	(0.6)	(31.9)
Diluted loss per share (p)		(0.2)	(0.6)	(31.2)
Adjusted earnings per share (p)**		2.0	7.0	12.4

* Loss 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 cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year

Consolidated Statement of Comprehensive Income

For the half year ended 30 September 2020

	Half year ended 30 Sept 2020 unaudited £m	Half year ended 30 Sept 2019 unaudited £m	Year ended 31 Mar 2020 audited £m
Loss for the period	(0.4)	(1.0)	(49.5)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations	(2.5)	8.7	6.3
Actuarial loss	(2.2)	–	(1.3)
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial loss	–	–	0.3
Other comprehensive (loss)/income for the period	(4.7)	8.7	5.3
Total comprehensive (loss)/income for the period	(5.1)	7.7	(44.2)

The notes on pages 14 to 24 form an integral part of this interim financial report.

Consolidated Balance Sheet

As at 30 September 2020

	Note	Half year ended 30 Sept 2020 unaudited £m	Half year ended 30 Sept 2019 unaudited £m	Year ended 31 Mar 2020 audited £m
Assets				
Non-current assets				
Goodwill		59.4	111.2	61.1
Intangible assets		2.0	8.5	3.4
Property, plant and equipment		74.2	87.0	75.7
Right-of-use assets		18.1	8.4	19.9
Deferred tax asset		10.4	7.0	9.5
Other receivables		0.1	0.2	0.1
		164.2	222.3	169.7
Current assets				
Inventory		37.3	48.2	41.5
Trade and other receivables		45.6	55.1	63.7
Current tax asset		0.9	0.1	0.2
Cash and cash equivalents	14	14.4	8.0	16.3
		98.2	111.4	121.7
Liabilities				
Current liabilities				
Borrowings and other financial liabilities		(16.1)	(12.3)	(0.1)
Lease liabilities		(2.4)	(1.9)	(2.5)
Trade and other payables		(45.1)	(54.9)	(56.8)
Current tax liabilities		(1.1)	(0.6)	(2.0)
Provisions	12	(11.7)	(14.9)	(13.6)
		(76.4)	(84.6)	(75.0)
Net current assets		21.8	26.8	46.7
Non-current liabilities				
Borrowings and other financial liabilities		(20.4)	(57.3)	(71.0)
Lease liabilities		(16.2)	(6.7)	(17.7)
Trade and other payables		(0.6)	(0.6)	(0.6)
Deferred tax liabilities		(6.2)	(6.5)	(6.1)
Non-current tax liabilities		(2.3)	(3.8)	(2.1)
Retirement benefit obligations	11	(5.8)	(6.4)	(6.1)
Provisions	12	(16.9)	(24.6)	(20.4)
		(68.4)	(105.9)	(124.0)
Net assets		117.6	143.2	92.4
Shareholders' equity				
Ordinary shares	13	9.4	7.8	7.8
Share premium		1.3	1.0	1.0
Merger reserve	13	29.6	–	–
Retained earnings		44.6	96.8	48.4
Translation reserve		32.7	37.6	35.2
Total shareholders' equity		117.6	143.2	92.4

The notes on pages 14 to 24 form an integral part of this interim financial report.

Consolidated Statement of Changes in Equity (unaudited)

For the half year ended 30 September 2020

	Share capital £m	Share premium £m	Merger reserve	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2019	7.7	1.0	–	28.9	101.8	139.4
Employee share option scheme – value of employee services	–	–	–	–	0.6	0.6
Equity-settled share based payments	–	–	–	–	(0.1)	(0.1)
Dividends	–	–	–	–	(4.5)	(4.5)
Issue of shares	0.1	–	–	–	–	0.1
	0.1	–	–	–	(4.0)	(3.9)
Currency translation differences	–	–	–	8.7	–	8.7
Net income recognised directly in equity	–	–	–	8.7	–	8.7
Loss for the period	–	–	–	–	(1.0)	(1.0)
Total comprehensive income/(expense)	–	–	–	8.7	(1.0)	7.7
Balance at 30 September 2019	7.8	1.0	–	37.6	96.8	143.2
Employee share option scheme – value of employee services	–	–	–	–	1.0	1.0
Equity-settled share based payments	–	–	–	–	0.1	0.1
Issue of shares	–	–	–	–	–	–
	–	–	–	–	1.1	1.1
Currency translation differences	–	–	–	(2.4)	–	(2.4)
Actuarial loss on pension schemes	–	–	–	–	(1.3)	(1.3)
Deferred tax on actuarial loss	–	–	–	–	0.3	0.3
Net income recognised directly in equity	–	–	–	(2.4)	(1.0)	(3.4)
Loss for the period	–	–	–	–	(48.5)	(48.5)
Total comprehensive expense	–	–	–	(2.4)	(49.5)	(51.9)
Balance at 31 March 2020	7.8	1.0	–	35.2	48.4	92.4
Employee share option scheme – value of employee services	–	–	–	–	(1.1)	(1.1)
Equity-settled share based payments	–	–	–	–	(0.1)	(0.1)
Issue of shares	1.6	0.3	29.6	–	–	31.5
	1.6	0.3	–	–	(1.2)	30.3
Currency translation differences	–	–	–	(2.5)	–	(2.5)
Actuarial gain on pension schemes	–	–	–	–	(2.2)	(2.2)
Net income recognised directly in equity	–	–	–	(2.5)	(2.2)	(4.7)
Loss for the period	–	–	–	–	(0.4)	(0.4)
Total comprehensive expense	–	–	–	(2.5)	(2.6)	(5.1)
Balance at 30 September 2020	9.4	1.3	29.6	32.7	44.6	117.6

The notes on pages 14 to 24 form an integral part of this interim financial report.

Consolidated Cash Flow Statement

For the half year ended 30 September 2020

	Note	Half year ended 30 Sept 2020 unaudited £m	Half year ended 30 Sept 2019 unaudited £m	Year ended 31 Mar 2020 audited £m
Cash flows from operating activities				
Net cash flow from operations	14	9.3	13.5	20.6
Cash generated from operations before exceptional items	14	15.3	18.9	37.7
Cash outflow from exceptional items	14	(6.0)	(5.4)	(17.1)
Net cash flow from operations		9.3	13.5	20.6
Interest paid		(1.6)	(0.8)	(3.4)
Income tax paid		(2.1)	(2.0)	(3.3)
Net cash generated from operating activities		5.6	10.7	13.9
Cash flows (used in)/from investing activities				
Acquisition of subsidiary, net of cash acquired		–	(1.4)	(1.4)
Purchase of property, plant and equipment		(3.5)	(8.0)	(16.5)
Purchase of capitalised development costs		–	–	–
Proceeds from disposal of fixed assets		–	0.2	–
Net cash used in investing activities		(3.5)	(9.2)	(17.9)
Cash flows (used in)/generated from financing activities				
Issue of shares		31.6	–	0.1
Dividends		–	(4.5)	(4.5)
Increase in borrowings and other finance liabilities		7.1	14.7	28.8
Repayment of borrowings and other finance liabilities		(42.6)	(14.9)	(15.2)
Net cash (used in)/generated from financing activities		(3.9)	(4.7)	9.2
Net (decrease)/increase in cash and cash equivalents				
		(1.8)	(3.2)	5.2
Cash and cash equivalents at beginning of the period		16.3	10.8	10.8
Exchange (losses)/gains on cash and cash equivalents		(0.1)	0.4	0.3
Total cash and cash equivalents at end of period	14	14.4	8.0	16.3

The notes on pages 14 to 24 form an integral part of this interim financial report.

Notes

1. General information

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, Greater Manchester OL7 0ED. The Company has its listing on the Alternative Investment Market.

The financial information for the period ended 30 September 2019 has been neither audited nor reviewed by the auditor. The financial information for the year ended 31 March 2020 has been based on information in the audited financial statements for that period.

The interim condensed financial statements for the period ended 30 September 2020 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2020 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation

These consolidated interim financial statements for Scapa Group plc have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted the the EU.

Accounting policies

The same accounting policies, presentation and methods of computation are followed in the interim condensed financial statements as applied in the Group's latest annual audited financial statements.

Critical accounting estimates, judgements and risks

The preparation of the interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

A summary of the principal risks and uncertainties is below broken down into specific categories and a more detailed explanation and how the Group seeks to mitigate the risks can be found on pages 33 to 36 of the Annual Report, which is available at www.scapa.com.

Regulatory and compliance risks

Health and safety – failure to work safely could result in significant injury or loss of life, damage the reputation of the Group and incur regulator intervention or fines

Environment – failure to mitigate environmental impacts could damage the reputation of the Group and result in the financial loss associated with clean-up, fines and sanctions

Product quality – failure to meet regulatory standards could lead to regulatory action, restricting our ability to manufacture and sell products. The Group is also exposed to financial risk around product liability claims, customer returns and ultimately customer trust in Scapa as a supplier

Strategic Risks

Economic and political – economic and political uncertainty, e.g. COVID-19 outbreak and Brexit trade negotiations, which affect market and financial stability

Business strategy – development of the wrong strategy by the Board or the failure to implement its strategy effectively could negatively impact on the Group's long-term growth prospects

Acquisitions and disposals – poor decision-making on organisational restructuring could adversely affect the Group's position and prospects, weakening shareholder value

1. General information continued

Critical accounting estimates, judgements and risks continued

Financial Risks

Financial and treasury – unavailability and cost of funding, and foreign exchange exposes the company to the risk of not having access to sufficient funds to permit trading as a going concern

Pensions – liabilities increase due to increasing life expectancy, inflation and poor performance in investments compounded by fluctuations in the discount rate, the associated cash requirements could have a material adverse impact on the Group's cash flows

Market Risks

Customers – Over reliance on a specific customer places pressure on pricing, margins and profitability

Operations Risks

Suppliers – over reliance on specific suppliers risks supplier failure or unavailability/discontinuation of key raw material products, particularly as a result of COVID-19, which would have a detrimental impact on business performance

Human resources – failure to attract, develop and retain people with the necessary skills to support sustainable growth could lead to the inability to achieve our business objectives or to loss of skills, knowledge and experience

Technology – the business risks being subjected to a cyber-attack or other event that results in data loss and/or systems outage could lead to significant disruption to direct manufacturing and support processes

Disruption to operations – pandemic natural disaster or extreme weather events could lead to significant disruption to direct manufacturing or support processes

Going concern

In assessing the viability of the Group the Board has continued to assess and monitor the above principal risks of the business, and moreover the Group has taken into account the potential impact of the COVID-19 pandemic on the Group's results across a three year period. In a challenging environment to forecast accurately, the Group has updated the internal forecasts to take account of the current impact of COVID-19 and the Group are tracking ahead of this internal COVID-19 scenario. The Group moved quickly to strengthen its Balance Sheet at the start of the global pandemic, securing additional loan facilities from its existing banking Group, completing an equity placement in May 2020 securing net proceeds of £31.6m, suspending ordinary dividends for the 2020 year, and securing a deferment of the regular UK deferred pension CAR payment. The Directors are satisfied that the Group's forecasts and projections show that the Group should be able to operate within its banking facilities and comply with its banking covenants, which were revised for a nine-month period to March 2021 when the additional £15m facility was secured (repayable in June 2021), and the Group has significant headroom against its current RCF. The Group is exposed to a number of significant risks and uncertainties as outlined above, which could affect the Group's ability to meet its banking covenants. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed financial statements.

2. Segmental reporting

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

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

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

Notes continued

2. Segmental reporting continued

Segment results – 30 September 2020

The segment results for the half year ended 30 September 2020 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	55.1	66.9	–	122.0
Trading profit/(loss)	1.3	6.1	(1.9)	5.5
Amortisation of intangible assets	(1.1)	(0.3)	–	(1.4)
Exceptional items	(2.8)	–	–	(2.8)
Pension administration costs	–	–	(0.3)	(0.3)
Operating (loss)/profit	(2.6)	5.8	(2.2)	1.0
Net finance costs				(1.5)
Loss on ordinary activities before tax				(0.5)
Tax credit				0.1
Loss for the period				(0.4)

The revenue analysis below is based on the location of the customer as follows:

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 30 Sept 2020	61.1	48.5	8.1	4.3	122.0
External revenue – 30 Sept 2019	71.5	69.9	12.3	7.1	160.8
External revenue – 31 Mar 2020	141.0	140.3	24.6	14.7	320.6

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

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 30 Sept 2020	58.2	56.4	6.7	0.7	122.0
External revenue – 30 Sept 2019	71.0	78.7	10.0	1.1	160.8
External revenue – 31 Mar 2020	139.2	159.0	20.3	2.1	320.6

The segment results for the half year ended 30 September 2019 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	74.7	86.1	–	160.8
Trading profit/(loss)	6.6	10.2	(2.6)	14.2
Amortisation of intangible assets	(2.6)	(0.4)	–	(3.0)
Exceptional items	(10.6)	–	–	(10.6)
Acquisition costs	(0.1)	–	–	(0.1)
Pension administration costs	–	–	(0.4)	(0.4)
Operating profit/(loss)	(6.7)	9.8	(3.0)	0.1
Net finance costs				(1.1)
Profit on ordinary activities before tax				(1.0)
Tax charge				–
Profit for the period				(1.0)

2. Segmental reporting continued

Segment results – 30 September 2020 continued

The segment results for the half year ended 30 September 2019 continued

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

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	74.7	86.1	–	160.8
Foreign exchange	(0.1)	(0.5)	–	(0.6)
External revenue at constant exchange rates	74.6	85.6	–	160.2
Trading profit/(loss)	6.6	10.2	(2.1)	14.2
Foreign exchange	0.0	(0.1)	–	(0.1)
Trading profit/(loss) at constant exchange rates	6.6	10.1	(2.1)	14.1

Segment results – 31 March 2020

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 profit/(loss)	(61.7)	18.8	(4.4)	(47.3)
Net finance costs				(3.7)
Profit on ordinary activities before tax				(51.0)
Tax charge				1.5
Profit for the year				(49.5)

The Board reviews the performance of the business using information presented at constant 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	152.0	168.6	–	320.6
Foreign exchange	0.7	1.0	–	1.7
External revenue at constant exchange rates	152.7	169.6	–	322.3
Trading profit/(loss)	13.7	19.5	(5.4)	27.8
Foreign exchange	0.1	–	–	0.1
Trading profit/(loss) at constant exchange rates	13.8	19.5	(5.4)	27.9

Notes continued

3. Segment assets and liabilities

The Board does not review assets and liabilities by business unit but by geographical area as reporting entity balance sheets cannot be split accurately by business unit. The assets and liabilities at 30 September 2020 and capital expenditure for the period 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*	67.0	84.2	2.1	0.5	153.8
Inventory	17.5	17.5	2.4	–	37.4
Trade receivables (net)	19.3	17.4	2.5	–	39.2
Trade payables	(17.6)	(13.8)	(1.9)	(0.7)	(34.0)
Cash	4.2	5.5	2.6	2.0	14.3
Additions of property, plant and equipment**	3.0	0.4	0.1	–	3.5

* Non-current assets excluding deferred tax assets

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

The assets and liabilities at 30 September 2019 and capital expenditure for the period then ended were as follows:

	Europe £m	N America £m	Asia £m	Head office £m	Group £m
Non-current assets*	94.4	118.3	2.0	0.6	215.3
Inventory	21.9	22.8	3.5	–	48.2
Trade receivables (net)	23.8	24.4	2.7	–	50.9
Trade payables	(20.8)	(17.7)	(1.9)	(0.9)	(41.3)
Cash	2.7	3.2	2.0	0.1	8.0
Additions of property, plant and equipment**	4.8	2.6	0.6	–	8.0

* Non-current assets excluding deferred tax assets

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

The assets and liabilities at 31 March 2020 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*	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

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

4. Exceptional items

	Half year ended 30 Sept 2020 £m	Half year ended 30 Sept 2019 £m	Year ended 31 Mar 2020 £m
Operating income:			
Gain on pension scheme buy-out	–	–	2.4
BioMed indemnification income	1.5	–	–
Operating expenses:			
Site closure and reorganisation costs	(3.1)	(1.4)	(8.0)
Asset write-offs	–	–	(0.3)
Loss of major contract	(1.2)	(6.0)	(7.2)
Goodwill impairment	–	(3.2)	(52.2)
Potential HSE penalty	–	–	(0.3)
Intangible asset impairment	–	–	(2.1)
Strategic review	–	–	(0.7)
	(2.8)	(10.6)	(68.4)

Exceptional operating income

The Group released £1.5m from escrow relating to indemnification of the BioMed acquisition which was agreed and crystallised in September 2020; this is reflected as an exceptional gain in the period – see contingent asset note 12.

The prior year exceptional operating income related to the buy-out of one of the US defined benefit pension schemes in March 2020.

Exceptional operating expenses

Exceptional operating expenses in the first half year comprised reorganisation costs of £3.1m relating to the integration of the Dunstable closure activities into the Gargrave site and the integration of the closure of the Inglewood site into Knoxville. It is anticipated that site restructuring costs will continue into FY22. In addition, Scapa Tapes North America LLC incurred legal costs of £1.2m associated with the ongoing litigation against ConvaTec Inc for breach of contract.

The 31 March 2020 exceptional operating expense included £7.2m costs associated with the loss of the major ConvaTec contract, with £6.0m of this having been booked in the half-year to September 2019. There was also a goodwill impairment of £3.2m booked in the half-year associated with this lost contract, with a further £49.0m goodwill impairments booked at 31 March 2020 relating to the recoverability review under IAS36, which also included asset write offs of £0.3m and intangible asset impairments of £2.1m all booked as a result of the loss of the ConvaTec contract, weaker financial performance for the BioMed site in Texas, alongside the potential global impact of the COVID-19 pandemic. There were exceptional costs of £8.0m (with £1.4m having been recognised in September 2019) for site closure and reorganisation expenses, plus £0.7m for a Group strategic review.

5. Key management compensation and Directors' remuneration

	Half year ended 30 Sept 2020 £m	Half year ended 30 Sept 2019 £m	Year ended 31 Mar 2020 £m
Short-term employment benefits	1.4	1.1	2.0
Post-employment benefits	0.1	0.1	0.2
Share-based payments (including share incentive plan)	(0.8)	0.5	1.2
	0.7	1.7	3.4

Key management is considered by the Group to be the Executive Team, which comprises certain senior employees, as defined in the annual financial statements. The short-term employment benefits include wages and salaries, bonuses, social security contributions and non-monetary benefits.

6. Related party transactions

The pension schemes are related parties to the Group. As at 30 September 2020 a deferment of the March 2020 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.

On 14 May 2020 the Group placed an aggregate of 30,758,649 new ordinary shares of 0.5p at a price of 105p per share to raise net proceeds of approximately £31.6m in addition Directors and members of the senior management team of the Company subscribed for an aggregate of 319,044 shares at the placing price. Directors (H Chae, D Blackwood, B McAtamney and T Miller), the Company Secretary (W Baker) and a member of the senior management team (J Petreanu) participated in the subscription purchasing 142,857 shares, 14,285 shares, 9,523 shares, 19,047 shares, 14,285 shares and 119,047 shares respectively.

7. Net finance costs

	Half year ended 30 Sept 2020 £m	Half year ended 30 Sept 2019 £m	Year ended 31 Mar 2020 £m
Interest payable on bank loans and overdrafts	(0.8)	(0.8)	(1.7)
Interest income on pension scheme assets less interest on scheme liabilities	–	–	(0.1)
Discount on provisions	(0.1)	(0.1)	(0.2)
Lease interest	(0.6)	(0.2)	(1.7)
Net finance costs	(1.5)	(1.1)	(3.7)

Upon initial recognition of IFRS 16 the Knoxville land and buildings lease was initially assessed as a short term lease. In December 2019 the lease was reassessed due to a decision to delay the procurement of the land and buildings. As a result, in the half year ended September 2020, lease interest of £0.4m (2019: £Nil) has been incurred.

8. Taxation

	Half year ended 30 Sept 2020 £m	Half year ended 30 Sept 2019 £m	Year ended 31 Mar 2020 £m
Current tax:			
Tax on trading activities – current period	(1.4)	(2.1)	(2.9)
Tax on trading activities – prior period	0.7	(0.3)	(0.4)
Tax on non-trading items	–	–	–
Total current tax	(0.7)	(2.4)	(3.3)
Deferred tax:			
Tax on trading activities – current period	(0.7)	(0.4)	(3.2)
Tax on trading activities – prior period	0.2	0.2	(0.4)
Tax on non-trading items	1.3	2.6	8.4
Total deferred tax	0.8	2.4	4.8
Tax charge on trading activities	(1.2)	(2.6)	(6.9)
Tax income on non-trading activities	1.3	2.6	8.4
Tax credit for the period	0.1	–	1.5

9. Earnings per share

Basic

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

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. Diluted earnings per share has been calculated on share options in existence at 30 September 2020.

Adjusted

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

	Half year ended 30 Sept 2020	Half year ended 30 Sept 2019	Year ended 31 Mar 2020
Loss attributable to equity holders of the Company (£m)	(0.4)	(1.0)	(49.5)
Weighted average number of ordinary shares in issue (m)	179.3	155.0	155.1
Basic loss per share (p)	(0.2)	(0.6)	(31.9)
Weighted average number of shares in issue, including potentially dilutive shares (m)	189.8	158.6	158.6
Diluted loss per share (p)	(0.2)	(0.6)	(31.2)
Adjusted earnings per share (p)	2.0	7.0	12.4

Notes continued

10. Dividends

The Group did not declare a final dividend for the year ended 31 March 2020 as a result of the uncertainty surrounding the global COVID-19 pandemic.

11. Retirement benefit schemes

Defined benefit schemes

The defined benefit obligation as at 30 September 2020 has been adjusted for movements in contributions, financial and demographic assumptions over the period.

The defined benefit plan assets have been updated to reflect their market value at 30 September 2020. The change in the expected return on assets has been recognised as an actuarial gain or loss in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

12. Provisions

	Reorganisation and leasehold commitments £m	Contract liability £m	Environmental £m	Total £m
At 31 March 2019	14.4	32.2	0.1	46.7
Exchange differences	0.2	–	–	0.2
Charged in the period	2.3	–	–	2.3
Released in the period	–	(3.6)	–	(3.6)
Utilised in the period	(6.1)	–	–	(6.1)
At 30 September 2019	10.8	28.6	0.1	39.5
Exchange differences	(0.2)	–	–	(0.2)
Charged in the period	10.5	–	–	10.5
Released in the period	(0.7)	(3.6)	–	(4.3)
Utilised in the period	(11.5)	–	–	(11.5)
At 31 March 2020	8.9	25.0	0.1	34.0
Charged in the period	1.2	–	–	1.2
Released in the period	(0.2)	(3.6)	–	(3.8)
Utilised in the period	(2.8)	–	–	(2.8)
At 30 September 2020	7.1	21.4	0.1	28.6
Analysis of provisions:				
Current	4.4	7.2	0.1	11.7
Non-current	2.7	14.2	–	16.9
At 30 September 2020	7.1	21.4	0.1	28.6

Reorganisation and leasehold commitments

The £7.1m (2019: £10.8m) reorganisation and lease commitments provisions relates to dilapidations for leasehold property of £2.9m (2019: £2.9m), £0.1m (2019: £0.1m) in relation to reorganisation costs, £2.1m (2019: £5.2m) in relation to site closures in the UK and the US, £1.9m (2019: £2.6m) relating to the acquisition provisions for BioMed Laboratories LLC and Systagenix Wound Management Manufacturing Ltd and £0.1m (2019: £Nil) relating to the potential HSE penalty. The expected utilisation of these provisions ranges between one and three years.

Contract liability provision

The £21.4m (2019: £28.6m) 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.

12. Provisions continued

Environmental provision

The environmental provision relates to expected costs required to clean up environmental contamination on a European site of £0.1m (2019: £0.1m). The Group expects the majority of the spend against the environmental provision to be incurred over the next 18 months.

Tax provisions

Tax provisions totalling £2.0m (2019: £3.8m) relate to Group cross-party transactions which are expected to be utilised over a four-year period.

Contingent Assets

On 10 July 2019, Scapa Tapes North America LLC filed a complaint against ConvaTec Inc in the state of Connecticut for a breach of a material supply agreement alleging damages of \$83.8m 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 judgement 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.

In September 2020 a further payment in relation to the indemnification of the BioMed acquisition was agreed for £0.5m excluding fees. This amount has not yet been received and is considered a contingent asset at 30th September 2020.

13. Share capital

	Half year ended 30 Sept 2020 £m	Half year ended 30 Sept 2019 £m	Year ended 31 Mar 2020 £m
Allotted, issued and fully paid			
187,797,885 (2019: 155,242,923)	9.4	7.8	7.8

On 14 May 2020 the Group placed an aggregate of 30,758,649 new ordinary shares of 0.5p at a price of 105p per placing share to raise net proceeds of £31.6m after expenses. The placing shares represented approximately 19.99% of the Company's existing issued share capital. The placing utilised a cash box structure, whereby the cash box entity issued redeemable preference shares in consideration for the receipt of the cash proceeds (net of issue costs) arising from the placing. The Company's ordinary shares were issued as consideration for the transfer to it of the shares, which it did not already own, in the cash box entity. As a result, in the opinion of the Board, the placing qualified for merger relief under section 612 of Companies Act 2006 so that the excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by the Company was credited to a merger reserve which is considered to be distributable.

The placing shares ranked pari passu in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid after the date of the issue.

Notes continued

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

	Half year ended 30 Sept 2020 £m	Half year ended 30 Sept 2019 £m	Year ended 31 Mar 2020 £m
Operating profit/(loss)	1.0	0.1	(47.3)
Adjustments for:			
Depreciation and amortisation	7.4	8.7	17.7
Loss on disposal of land and buildings	–	–	0.5
Impairment of tangible fixed assets	0.3	0.6	1.4
Impairment of intangible assets	–	0.2	2.3
Impairment of goodwill	–	3.2	52.2
Pensions payments in excess of charge	(2.6)	(2.3)	(1.6)
Pension scheme buy out	–	–	(2.4)
Share options (credit)/charge	(1.2)	0.6	1.6
Changes in working capital:			
Inventories	3.8	(0.3)	5.4
Trade debtors	18.4	13.0	5.0
Trade creditors	(11.0)	(4.5)	(0.1)
Net movement in trading working capital	11.2	8.2	10.3
Net movement in other current debtors	(0.9)	3.7	1.9
Net movement in other current creditors	(0.5)	(1.4)	(2.7)
Net movement in reorganisation provisions	(1.8)	(4.5)	(6.1)
Net movement in contract liability provision	(3.6)	(3.6)	(7.2)
Cash generated from operations	9.3	13.5	20.6
Cash generated from operations before exceptional items	15.3	18.9	37.7
Cash outflows from exceptional items	(6.0)	(5.4)	(17.1)
Cash generated from operations	9.3	13.5	20.6

Analysis of cash and cash equivalents and borrowings

	At 1 April 2020 £m	Cash flow £m	Exchange movement £m	Other movements £m	At 30 Sept 2020 £m
Cash and cash equivalents	16.3	(1.8)	(0.1)	–	14.4
Borrowings within one year	(2.6)	(0.9)	–	(15.0)	(18.5)
Borrowings after more than one year	(88.3)	36.4	0.6	15.0	(36.3)
Total borrowings	(90.9)	35.5	0.6	–	(54.8)
Total	(74.6)	33.7	0.5	–	(40.4)

Company information

Key dates

Next year end (to be reported)	31 March 2021
Next preliminary announcement	25 May 2021
Next annual report due	June 2021
Next Annual General Meeting	20 July 2021
Next interim results	23 November 2021

Shareholder information

Shareholder enquiries should be directed to the Company's registrars, Link Asset Services, at their Customer Support Centre, details as follows:

By phone: UK – 0371 664 0300, 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 9.00am and 5.30pm, 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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