RESILIENT FOCUSED INNOVATIVE

Scapa Group plc Preliminary Results FY2020

Released: 23 June 2020

Scapa Group

AT A GLANCE

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.

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 market leaders to design, develop and manufacture innovative 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 faster than many of our partners can do internally.

INDUSTRIAL

Scapa Industrial manufactures an extensive portfolio of adhesive bonding solutions, supplying a diverse range of market segments throughout Europe, North and South America and Asia.

Our **Engineered Products** business provides solutions for global customers in the Automotive, Cable and Specialty Products 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.

GROUP REVENUE

£320.6m

(2019: £311.8m)

TOTAL TRADING PROFIT*

£27.8m

(2019: £38.2m)

REVENUE BY DIVISION

Healthcare

£152.0m

(2019: £141.3m)

Industrial

£168.6m

(2019: £170.5m)

TRADING PROFIT[1] BY DIVISION

Healthcare

£13.7m

(2019: £20.9m)

Industrial

£19.5m

(2019: £22.3m)

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

[1] Trading profit for the Group is £27.8m after charging £5.4m (2019: £5.0m) of corporate costs.

AMBITIOUS TRANSFORMATION AGENDA – A YEAR IN TRANSITION

We have a clear strategic blueprint for both businesses

Despite the COVID-19 disruptions, the strategy remains robust and suits the emerging post-COVID-19 dynamics

HEALTHCARE TRANSFORMATION

- Leverage customer relationships ✓
- Align with customer strategies ✓
- Expand addressable markets ✓
- Invest in and acquire technologies/capabilities ✓
- Build regional centres of excellence
- Consolidate and improve efficiencies
- Become partner of choice in skin technology
- Migrate from contract manufacturing into turn key
- Grow organically and through acquisitions

INDUSTRIAL TRANSFORMATION

- Self-help agenda ✓
- Right-sizing ✓
- Focus on ROCE ✓
- Site rationalisation ✓
- Focused product/market portfolio ✓
- Market share gain
- Repeat

COVID-19 UPDATE

Trading better than expected

- All sites are classified as essential businesses and remain in operation
- Expect Healthcare down 29% in H1 driven by postponement of elective surgeries, decline in consumer, and inventory adjustment
- Healthcare pipeline of projects remains positive
- Industrial recovery varies by market and geography; H1 down 35% compared to last year
- Demand recovering but slower pace

Strengthened the Balance Sheet

- Additional £15m short-term facility in addition to existing £80m RCF and revision to existing covenant arrangements
- Equity raise of £32.6m; oversubscribed approximately 3x with minimum discount
- Received US$5m in Paycheck Protection Program loan converting to grant
- Placement pro-forma net debt of £22.9m and 0.58x EBITDA

Realigned to 'new normal'

- Streamlined organisational structure
- Change in management team
- Localised decision rights and resources
- Specific geography and market focus
- Reprofiling to new demand level
- Improved cost basis

RESILIENT RESULT DESPITE CHALLENGES

GROUP FINANCIAL HIGHLIGHTS

- Despite the challenges faced during the year, Scapa has proven to be resilient, focused and innovative
- We have made good progress on our Healthcare transformation strategy and the Industrial business proved to be stable
- Group revenue increased 2.8% to £320.6m (2019: £311.8m)
- Trading profit[1] down 27.2% to £27.8m (2019: £38.2m) following the loss of the ConvaTec contract
- Group operating loss of £47.3m following exceptional items of £68.4m including impairments of £54.6m and contract-specific exceptional costs of £7.2m associated with the loss of the ConvaTec contract
- EBITDA[2] down 13.5% to £39.7m (2019: £45.9m)
- Adjusted net debt[3] of £54.4m (2019: £43.7m)

	31 Mar 2020		31 Mar 2019	
	Statutory Basis	Continuing Basis[4]	Statutory Basis	Continuing Basis[4]
Healthcare Revenue	**152.0**	**144.7**	141.3	137.7
Industrial Revenue	**168.6**	**168.6**	170.5	170.5
Scapa Group Revenue	**320.6**	**313.3**	311.8	308.2
Healthcare Trading Profit	**13.7**	**6.4**	20.9	17.3
Industrial Trading Profit	**19.5**	**19.5**	22.3	22.3
Corporate Costs	**(5.4)**	**(5.4)**	(5.0)	(5.0)
Scapa Group Trading Profit	**27.8**	**20.5**	38.2	34.6
Healthcare Trading Margin	**9.0%**	**4.4%**	*14.8%*	*12.6%*
Industrial Trading Margin	**11.6%**	**11.6%**	*13.1%*	*13.1%*

1 Trading profit – Profit before exceptional items, acquisition costs, amortisation of intangible assets and legacy pensions costs.

2 EBITDA – Trading profit before depreciation.

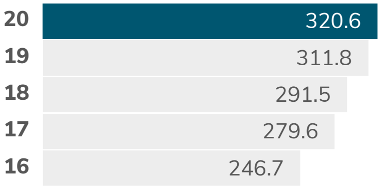
3 Adjusted net debt – Cash and cash equivalents net of borrowings including restricted cash and unamortised debt issue costs adjusted to exclude lease liabilities.

4 Group results before the impact of IFRS 15 provision release for the Systagenix acquisition.

TRADING PROFIT IN LINE WITH GUIDANCE

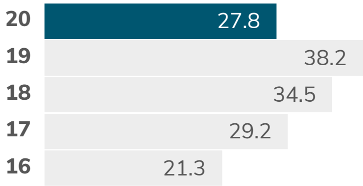
Group revenue (£m)

£320.6m



Trading profit (£m)

£27.8m

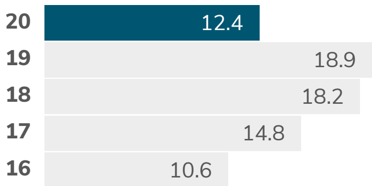


Margin %

8.7%

Adjusted earnings per share (p)

12.4p



	31 March 2020 £m	31 March 2019 £m
Revenue	**320.6**	311.8
Trading profit	**27.8**	38.2
Margin %	**8.7%**	12.3%
Amortisation of intangibles	**(5.8)**	(6.0)
Exceptional items	**(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	**(3.7)**	(1.9)
(Loss)/profit before tax	**(51.0)**	14.9
Taxation	**1.5**	(6.7)
(Loss)/profit for the year	**(49.5)**	8.2
Basic EPS (p)	**(31.9)**	5.3
Adjusted EPS (p)	**12.4**	18.9
Dividend (p)	**-**	2.9
On a continuing basis		
Revenue	**313.3**	308.2
Trading profit	**20.5**	34.6
Adjusted EPS (p)	**7.7**	16.5

IMPACT OF SITE CLOSURES, LOSS OF CONTRACT AND GOODWILL IMPAIRMENT

	31 March 2020 £m	31 March 2019 £m
Operating income		
BioMed deferred consideration adjustment	**-**	6.8
Gain on pension scheme buy-out	**2.4**	-
Total operating income	**2.4**	6.8
Operating expense		
Site closure costs	**(8.0)**	(11.7)
Impairment of goodwill, intangible and fixed assets	**(54.6)**	(2.3)
Loss of major contract	**(7.2)**	-
Pension GMP equalisation	**-**	(1.0)
Strategic review	**(0.7)**	-
Potential HSE penalty	**(0.3)**	-
Total operating expense	**(70.8)**	(19.6)
Net exceptional items	**(68.4)**	(12.8)

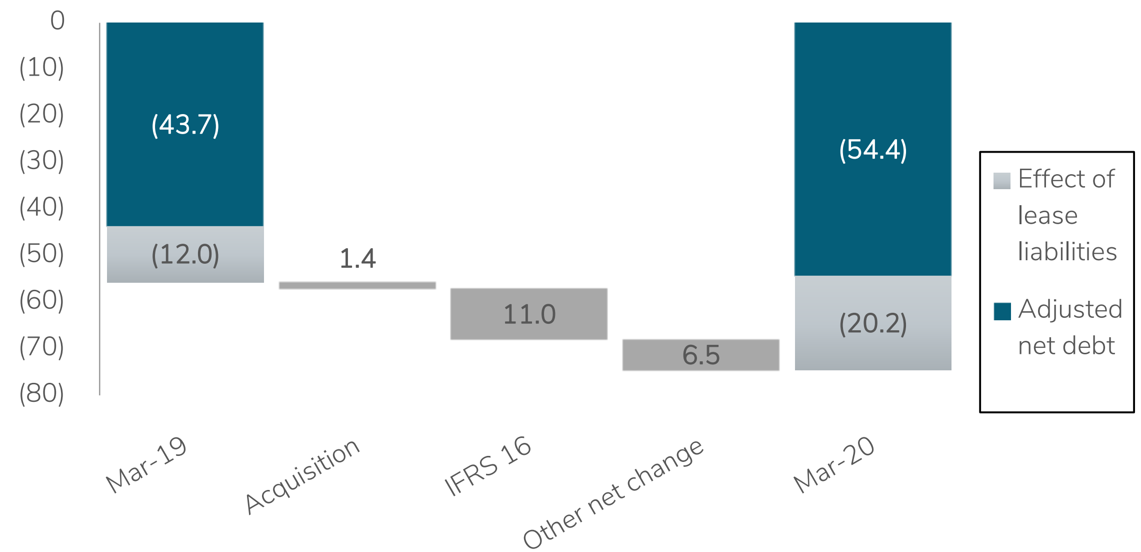
	31 March 2020 £m
Dunstable and Inglewood	**6.7**
Right-sizing costs	**0.7**
Other costs	**0.6**
Total cost	**8.0**

	31 March 2020 £m
Change in WACC	**37.6**
Lower earnings (including impact of ConvaTec & COVID-19)	**17.0**
Total cost	**54.6**

	31 March 2020 £m
Inventory write-offs	**4.5**
Legal costs	**1.0**
Severance costs	**0.1**
Asset write-offs and accelerated depreciation	**0.5**
Receivable write-off	**0.7**
Other costs	**0.4**
Total cost	**7.2**

FREE CASH FLOW IMPROVEMENT DRIVEN BY IMPROVED WORKING CAPITAL

Net debt bridge (£m)



Cash from operations (£m)

	31 March 2020 £m	31 March 2019 £m
Operating (loss)/profit	**(47.3)**	16.8
Depreciation and amortisation	**17.7**	13.7
Working capital movement	**10.3**	(5.9)
Other non cash items including impairment	**61.0**	3.4
Free cash flow	**41.7**	28.0
Pensions	**(4.0)**	(4.7)
Exceptionals	**(17.1)**	(2.9)
Net cash flow from operations	**20.6**	20.4

In summary

- Net debt increase of £18.9m includes £11.0m impact for IFRS16 Leases and £1.4m for the Tarvin acquisition
- Other net changes of £6.5m includes EBITDA of £39.7m and an inflow from working capital of £10.3m, offset by capex of £16.5m, exceptional items of £17.1m, dividends of £4.5m and interest payments of £1.7m
- Adjusted net debt of £54.4m is 1.37x EBITDA (2019: 0.95x)
- Pro-forma adjusted net debt, following equity raise is £22.9m which is 0.58x EBITDA

In summary

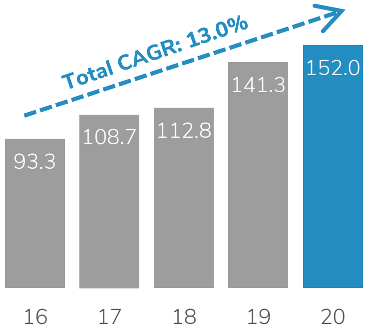
- Strong cash generation for the business at £20.6m despite significant increase in exceptional items
- Material improvement in working capital

HEALTHCARE

STRENGTHENED OUR POSITION AS PREFERRED STRATEGIC OUTSOURCE PARTNER

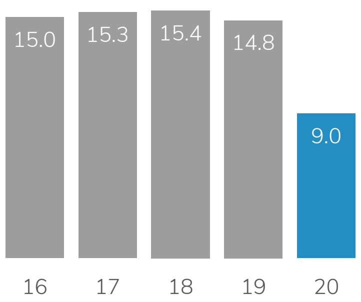
Revenue (£m)

£152.0m

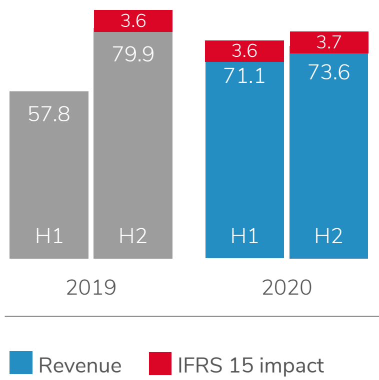


Trading margin (%)

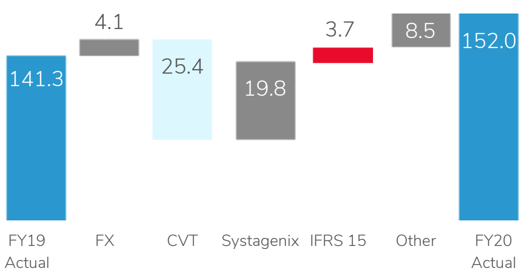
9.0%



Revenue (£m)

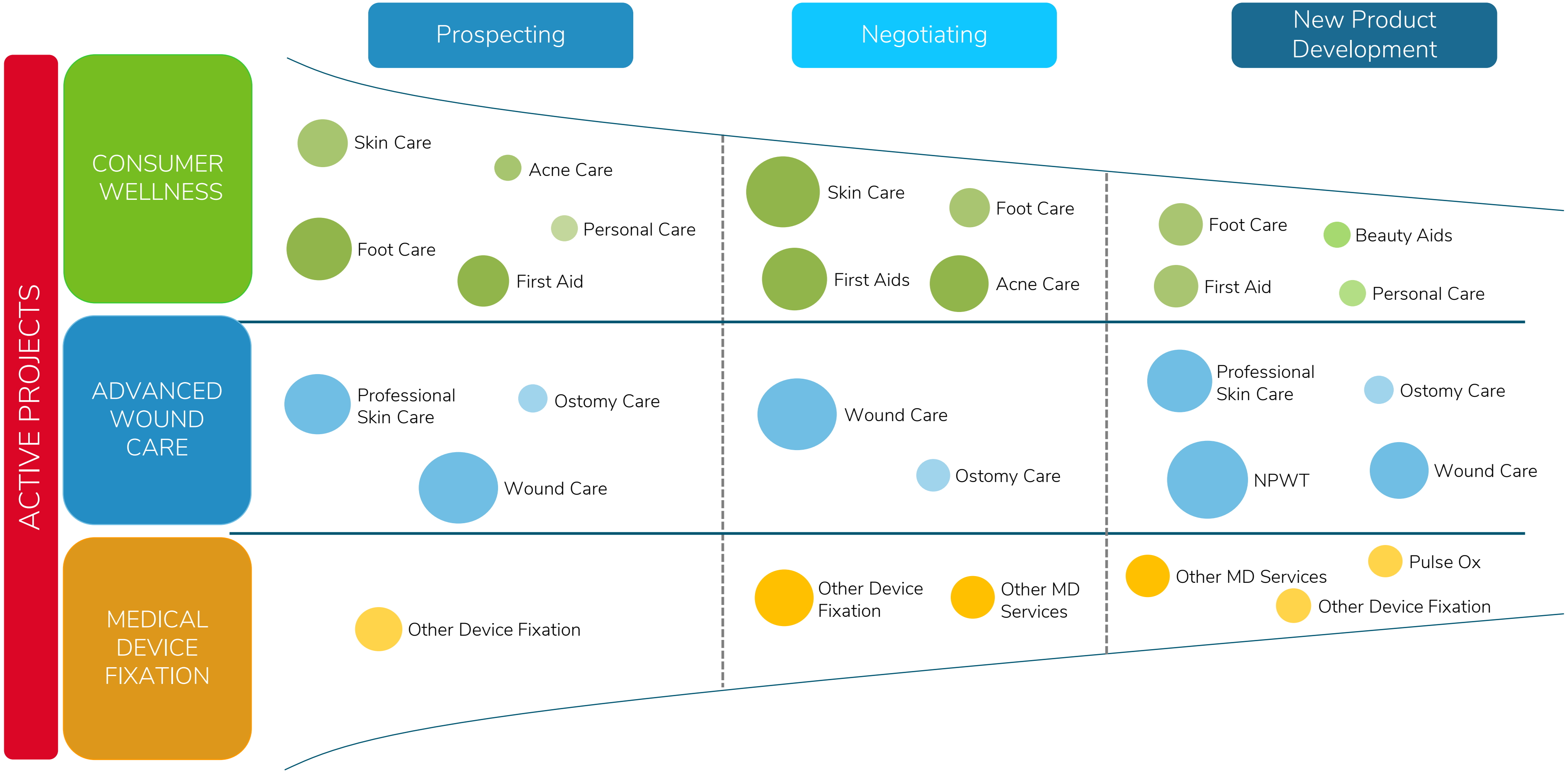


Revenue Bridge (£m)



- Revenue increased 7.6% to £152.0m (2019: £141.3m); 4.5% on a constant currency basis despite the loss of the ConvaTec contract
- On a continuing basis revenue increased 5.1% to £144.7m (2019: £137.7m); 2.0% on a constant currency basis. This includes a full year impact of the Systagenix (Gargrave) acquisition
- Excluding ConvaTec and Systagenix, revenue grew approximately 10%
- 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)
- Trading profit margin of 9.0% (2019: 14.8%)
- Completed closure of Dunstable facility and transferred appropriate assets to Gargrave
- Completed technology transfers from two major healthcare customers
- Completed consolidation of Inglewood facility into new built-for-purpose Knoxville site

GROWTH SUPPORTED BY SOLID PIPELINE



- £11.7m generated from new product development initiatives
- COVID-19 shifted the pipeline more towards contract manufacturing
- Seeing delays in new products and programmes
- Onshoring opportunities emerging

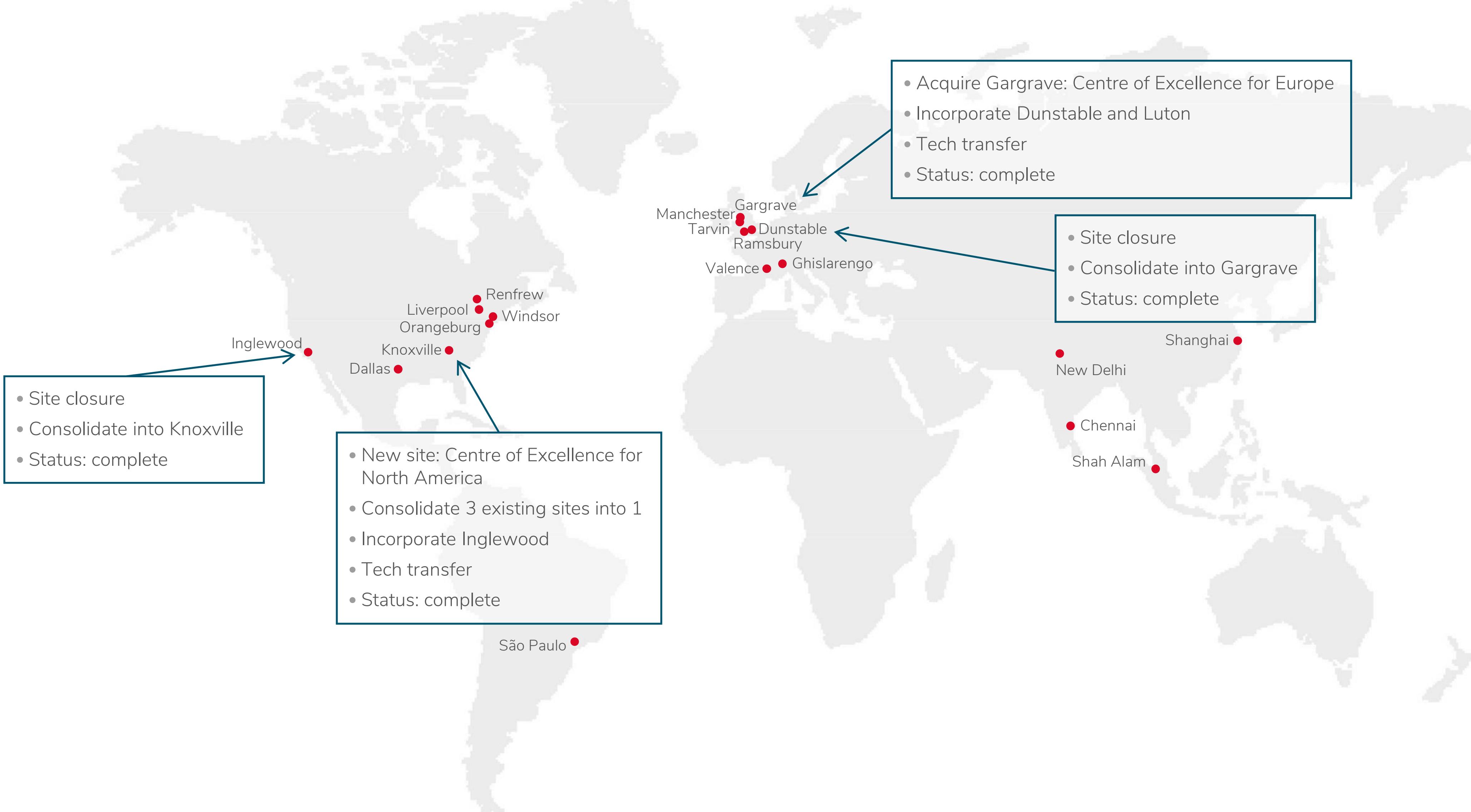
A YEAR IN TRANSITION

HEALTHCARE TRANSFORMATION

- Leverage customer relationships ✓
- Align with customer strategies ✓
- Expand addressable markets ✓
- Invest in and acquire technologies/capabilities ✓
- Build regional centres of excellence
- Consolidate and improve efficiencies
- Become partner of choice in skin technology
- Migrate from contract manufacturing into turn key
- Grow organically and through acquisitions

- Acquired Gargrave with five-year supply agreement
- Gargrave brings complete suite of capabilities to serve as European Centre of Excellence
- Consolidated Dunstable and Luton into Gargrave
- Completed two tech transfers
- Built greenfield facility in Knoxville to serve as North American Centre of Excellence
- Consolidated three existing sites into one
- Consolidated Inglewood into Knoxville
- Integrated/upgraded BioMed

FOCUS ON ASSET OPTIMISATION AND EFFICIENCY



SIGNIFICANT FINANCIAL AND OPERATIONAL IMPACT ON SCAPA

1. Financial impact

- As per the market update on 10 June 2019, estimated exposure to revenue and trading profit was £28m and £13m respectively
- The actual impact was in line with these estimates

2. Operational impact

- Most of ConvaTec production volumes were to be in the new Knoxville site
- However raw materials were also produced at the Windsor site
- Loss of these production volumes has had a significant operational leverage impact on Scapa
- Right sized based on new demand level
- Realigned operational resources to new requirement

3. Legal proceedings

- 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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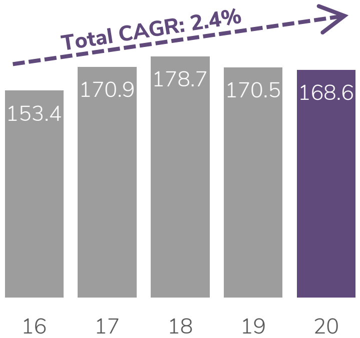
INDUSTRIAL

FOCUSED ON NICHE MARKETS

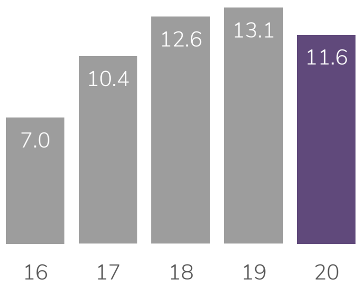
Revenue (£m)

£168.6m

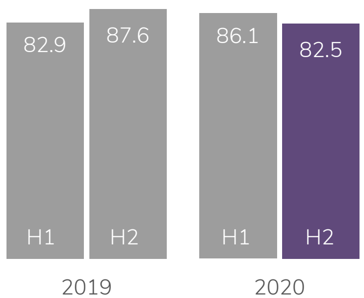


Trading margin (%)

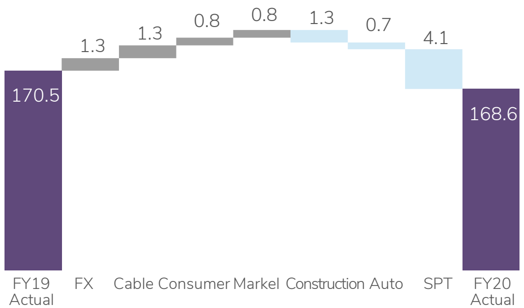
11.6%



Revenue (£m)



Revenue Bridge (£m)

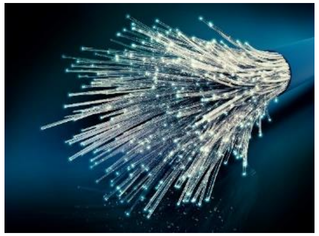


- Revenue of £168.6m (2019: £170.5m) was 1.1% lower due to adverse macro conditions; 1.9% lower on a constant currency basis
- Trading profit decreased to £19.5m (2019: £22.3m)
- Trading profit margin of 11.6% (2019: 13.1%)
- Margin impacted by change of mix – decline in Specialty products and Barnier® (higher margin) offset by India and other lower margin businesses
- Achieved 5.5% growth in the Cable segment
- Polyflex™ PE products achieved 5% growth despite an overall sluggish Construction market
- Invested in new coating line and distribution facility in India to support growth and migration to more value added businesses

SIGNIFICANT PORTFOLIO DEVELOPMENT

AUTOMOTIVE

- 2.8% growth in European Auto Business
- 20 new platform qualifications
- Continued OEM expansion, including Tesla and German OEM's
- Specified in 6 new EV/Hybrid programs in Europe and Asia
- Expanded sales in commercial and light duty models including Ford Transit in Europe
- Added first-in-market development and manufacturing capability in India to support Asian Pacific demand



CABLE

- 5.5% growth globally, with 9.8% growth in Europe as driven by several major project wins
- Continued strength in North America, with qualifications secured in all major cable designs supporting 5G and next generation data centres
- Expanded sales of conductive and water blocking technologies into Asia
- Specified in multiple project wins including Lavrio Syros Interconnector, Hornsea II, Ostwind, Marjan Gulf and SüdOstLink

CONSTRUCTION

- Strong performance in North America, posting 5% growth over PY
- Top 20 grew at 4.8%
- Advanced key development activities for high-performance PVC in Europe
- Repositioned 20 products to support emerging applications post-pandemic

CONSUMER

- Delivered total year growth of 30% for Asia/India
- Overall, Top 20 accounts delivered 3% growth despite Q4 impact of pandemic
- Continued expansion of Beyond Tapes, with strong Q4 performance due to pandemic
- Europe declined due to loss of customer

SPECIALTY

- Secured qualifications in multiple UK military contracts
- Expanded North American offering in food packaging and handling, tripling the business
- Decline in ski products
- Portfolio rationalisation

GROUP

COVID-19 REALITIES IN OUR KEY JURISDICTIONS

General Commentary

- COVID-19 pandemic has impacted all territories and market segments in which we operate. All of our sites are operating under government control measures enforcing mandatory lockdowns
- Despite the ongoing lockdowns, all of our operations are open as both Healthcare and Industrial businesses have been classified as essential businesses
- The restriction of travel requires strong local and frontline management to quickly respond to a very dynamic situation
- The collaboration and positive relationships with the employees and the respective representatives have been essential to maintain our ongoing operations
- We have implemented strict health and safety measures to ensure that any employee concerns are addressed and we are safeguarding their wellbeing

UK

- Lockdown: 23 March
- Headwinds in Healthcare division
- Industrial demand down YoY; supported by Cable customers
- Implementing furlough across both businesses
- Closure of Ramsbury postponed

FRANCE

- Lockdown: 16 March
- Demand significantly impacted by initial closure of French customers, particularly builder merchants' outlets for Barnier® – recent opening increasing demand
- Applied for Activite Partialle for 60% of the workforce - with the French government reimbursing 70% of gross salaries

ITALY

- Lockdown: 10 March
- Primarily servicing automotive customers
- Demand severely impacted due to closure of automotive supply chain
- Point of sale is outside of Italy so return of demand driven by jurisdictions outside of Italy
- Accessed waged compensation funds covering 80% of the monthly wages
- Reduced to three-day work week

USA

- Lockdown: varies state by state
- All sites in USA are healthcare sites
- Headwinds in Healthcare
- Approved for Payment Protection Program for $5 million[1]
- Equipment moves for final closure of Inglewood delayed

CANADA

- Lockdown: 24 March
- Renfrew facility services the Industrial customers in Canada and USA
- Demand from cable customers is strong
- Construction in both US and Canada is significantly down; hockey season starts in summer

INDIA

- Lockdown: 24 March
- Closed for most of Q1
- Partially open
- Not deemed essential business

[1] Note: A government grant to standstill on headcount reduction for eight weeks.

OVERVIEW OF GROUP COVID-19 ACTION PLAN

Immediate	Short term (<90 days)	Medium term (3 to 6 months)
Reduced contractors and overtime ✔	Defer Canadian tax payment ✔	Right size to new demand level ✔
Minimal capex ✔	Reclaim French tax payment ✔	Streamline organisational structure ✔
Deferred pay increases ✔	UK furlough ✔	Re-align the geographic focus ✔
Executive pay-cut ✔	US PPP ✔	Re-adjust supply chain
Suspend dividend ✔	French Activite Partialle ✔	Re-engineer production
Inventory purchase to order ✔	Italy furlough ✔	Review product portfolio
Deferred pension payment ✔		Reduce / standardise SKUs
		Focus on e-commerce

✔ Already implemented

STRENGTHENING OUR BALANCE SHEET

Additional Bank Facility

- Agreed with bank syndicate a new standalone £15m short-term facility to sit alongside the existing £80m RCF
- Available between 1 June and 31 August 2020
- Term of 12 months from drawdown
- Current leverage covenants replaced with 2 new ones
- Margin 3% flat p.a., upfront fee of 1%, Commitment fee of 35% of margin

Equity Raise

- Completed in June a non-pre-emptive cash box placing of £32.6m gross, c.20% of issued share capital
- Oversubscribed almost 3x
- Most of top 10 investors participated
- Several new top-tier investor participation

Financial Impact of COVID-19

- Modelled a robust COVID-19 scenario reflecting ongoing and potential disruption to Scapa
- Revenue expected to be significantly impacted in first half of FY21
- Trading Profit expected to be approximately 50% of FY20
- April and May revenues ahead of COVID-19 scenario but recovery expected to be more prolonged
- Together with our cost and cash reduction initiatives, equity raise and debt refinancing, expected net debt for FY21 is £34m, 1.4x EBITDA
- We believe that all the mitigating actions including the new debt facility and equity raise will provide 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

SHORT-MEDIUM TERM FOCUS ON DELIVERY OF COVID-19 ACTION PLAN

Long-term focus on significant opportunities for growth

HEALTHCARE

- Non cyclical and growing demand
- Disposable and consumable segments; not dependent on capital spending
- Currently operating to budget which assumes benefit of restructuring driving profit improvement
- Headwind from postponed elective surgeries, reduced consumer spending, and inventory adjustment
- Should benefit as healthcare companies review their extended supply chain, particularly Asia, and will onshore their supply chain
- Post COVID-19, Increased tech transfer opportunities as companies will look to streamline their footprints and product portfolio to minimize cash spending
- Outsourcing will increase as companies will look to leverage partners' resources
- Greater M&A opportunities at lower valuation

INDUSTRIAL

- Diversified portfolio across geography and industries
- Historical restructuring delivered resilient and non-cyclical portfolio
- COVID-19 has minimal impact on infrastructure segment which should continue to be strong
- Reopening of retail and auto should provide bounce back of demand
- Track record of resizing to deliver profit growth and cash generation
- Should benefit from onshoring of Asian supply chain post COVID-19
- Focus on e-commerce to capture market share from shift in consumer behaviour
- Focus on our self-help agenda, seek to improve margin and cash positions, and drive ROCE

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

Underpinned by The Scapa Way

Q&A

APPENDICES

Impairment of goodwill, intangibles and fixed assets

Accounting Requirements

- Goodwill, intangible and fixed assets are assessed for an initial period of 5 years in line with IFRS3 Business Combinations
- IAS36 requires that goodwill balances are reviewed on an annual basis for impairments to ensure the book values are recoverable
- Carrying values of goodwill, intangible and fixed assets are assessed against the discounted cash flows of each cash generating unit (CGU)
- There are 2 key assumptions required:
  1. WACC rate
  2. 5 year cash flow model

WACC Rate

- Scapa appointed EY to perform a detailed analysis of the WACC rate for each CGU
- The overall WACC rate increased from FY19 from 10% to an average of ~15% mainly as a result of:
  - Increase in risk free rate (+1.0%) due to macro economy given uncertainty surrounding Brexit and quantitative easing
  - Increase in company specific risk premium (+2.75%) as a result of ConvaTec loss and overall business performance leading to February 2020 Trading Update
  - Increase in the size risk premium (+2.5%) reflecting the additional return required from investors for investing in a somewhat smaller business (reduced mark cap)
  - Offset by reduction in the equity risk premium (-1.6%) based on benchmarked data from similar quoted companies

5 Year Cash Flows

- These have included impact of:
  - Loss of ConvaTec contract
  - COVID-19
  - IFRS16 implementation which has resulted in additional Right-of-Use assets and Liabilities recognised on the balance sheet, in addition to affecting operating cash flows

Impairment	31 March 2020 £m
Goodwill	**52.2**
Intangibles	**2.1**
Assets	**0.3**
Total	**54.6**

Driver	31 March 2020 £m
Change in WACC	**37.6**
Change in Earnings	**17.0**
Total	**54.6**

Balance sheet

	31 March 2020 £m	31 March 2019 £m
Goodwill and intangible assets	**64.5**	119.1
Fixed assets	**95.6**	81.0
Working capital	**54.5**	63.3
Other	**(4.6)**	(7.6)
Provisions	**(34.0)**	(46.7)
Tax	**(1.3)**	(7.4)
Pension deficit	**(6.1)**	(8.4)
Deferred tax on pensions	**1.8**	1.8
Net pension deficit	**(4.3)**	(6.6)
Net debt	**(74.6)**	(55.7)
Net assets	**95.8**	139.4

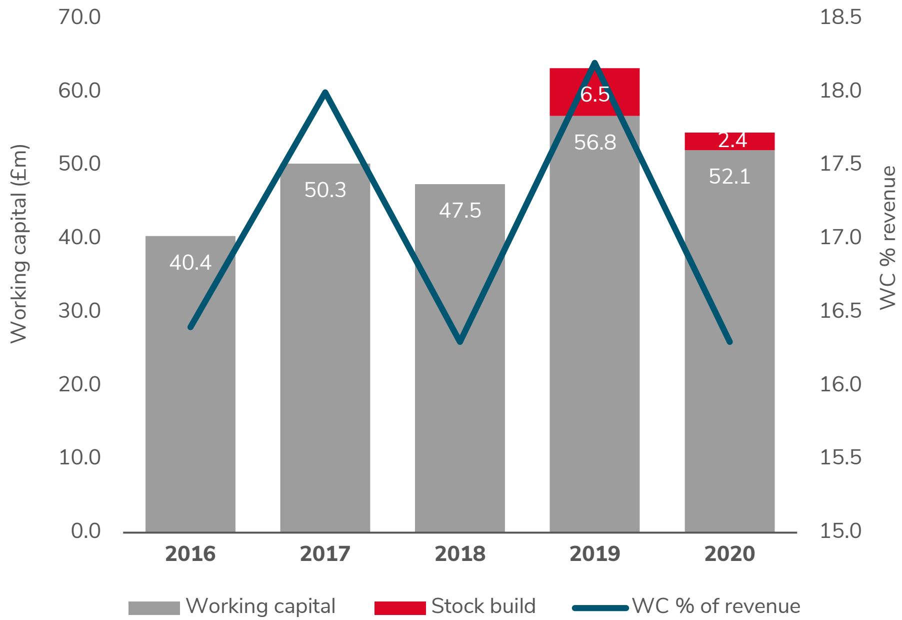
- Goodwill and intangible assets reduced following the impact of impairments (£54.3m) and annual intangible amortisation (£5.8m)
- Fixed asset increase due to investment in new facilities together with the impact of IFRS16 Leases (£7.3m)
- Working capital reduction to a normalised historical level
- Net debt includes lease liabilities of £20.2m for IFRS16

Impact of FX

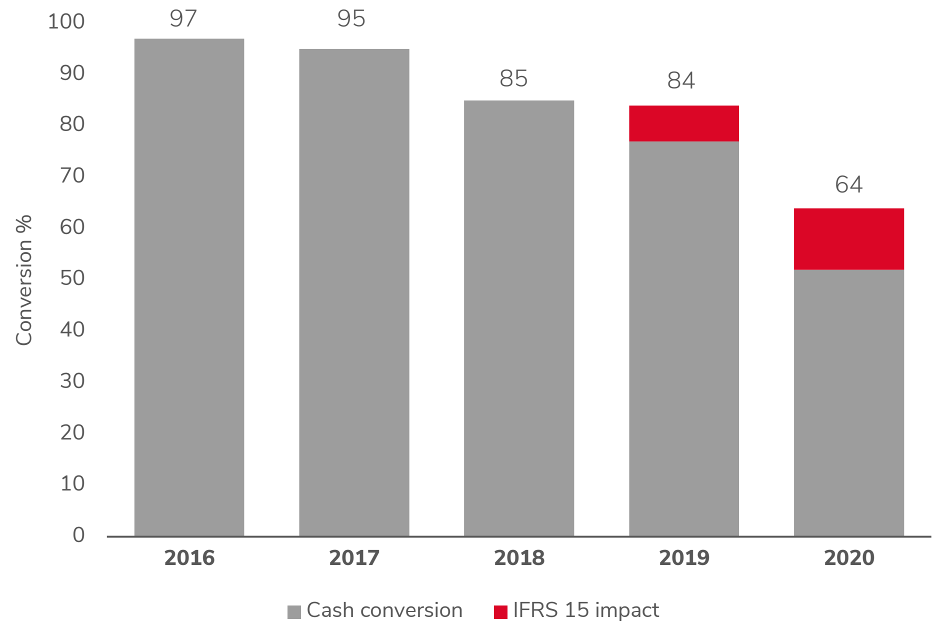
	% Revenue	Average Rate Full Year 2019/20	Average Rate Full Year 2018/19	Currency Effect
EURO	20%	**1.15**	1.14	(1.1)%
USD$	41%	**1.27**	1.32	3.9%
CAD$	8%	**1.70**	1.73	(1.8)%
Group				1.7%

Working capital and cash conversion

Working capital[1]



Cash conversion[2]

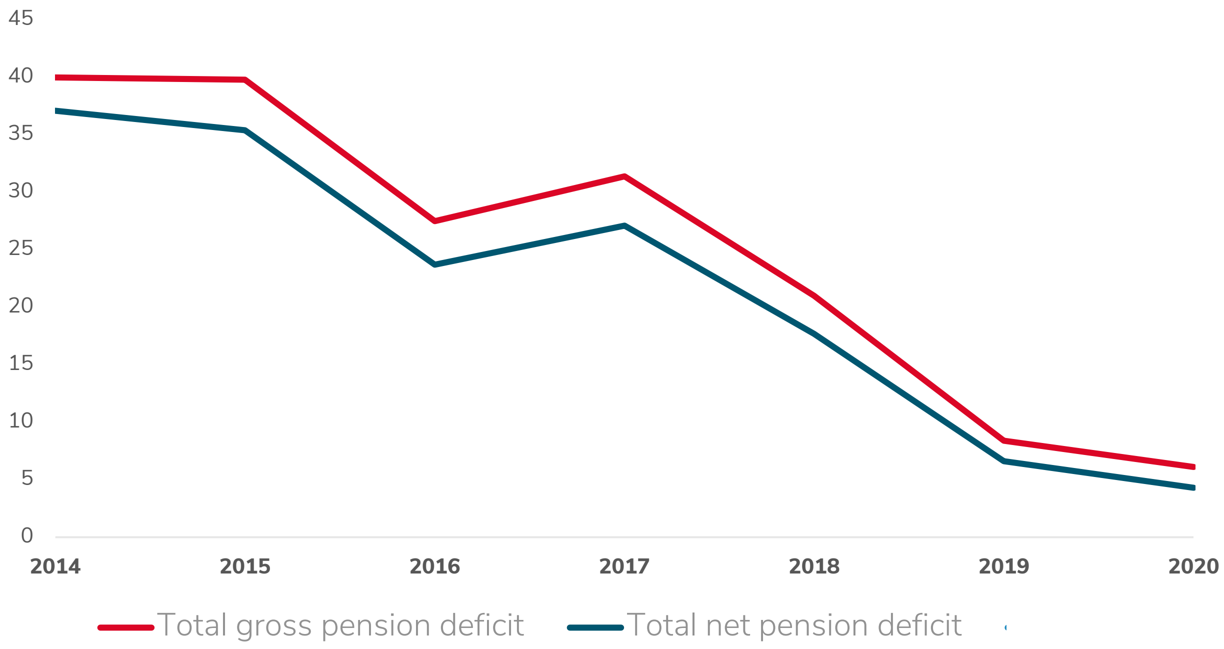


[1] Excluding stock build, working capital in line with historical levels.

[2] Cash conversion defined as net cash flow from operations before exceptional items, divided by EBITDA. EBITDA is calculated on a continuing basis resulting in an adjusted FY20 cash conversion of 64%.

Pensions

Total pension deficit



Total gross pension deficit (£m)

£6.1m

Total net pension deficit (£m)

£4.3m

- Continued improvement in the overall deficit reducing from £8.4m at 31 March 2019 to £6.1m at 31 March 2020
- The March 2020 CAR contribution payment of £2.0m was deferred following agreement from the UK Trustee
- Under an IAS 19 valuation basis the UK scheme is in a small surplus position but the Group has not recognised this surplus as a result of the requirements of IFRIC14 Section 11 - The Right to a Refund
- One of the US schemes completed a buy-out during the year resulting in an exceptional gain of £2.4m in the income statement

Effective tax rate

	31 March 2020 £m	31 March 2019 £m
Profit before tax	**(51.0)**	14.9
Tax charge	**1.5**	(6.7)
Headline effective rate	**2.9%**	45.0%
Trading profit	**27.8**	38.2
Interest on bank borrowings	**(1.7)**	(1.4)
Adjusted profit before tax	**26.1**	36.8
Tax on operating activities	**(6.9)**	(7.7)
Underlying effective rate	**26.4%**	20.9%

In summary

- The headline tax rate is 2.9% (2019: 45%) as a function of tax loss with restricted credit due to the impact of UK restructuring with no corresponding tax credit
- Underlying tax rate for the year is 26.4% as a result of the overall profit mix shifting to higher tax jurisdictions

Adjusted EPS

	31 March 2020 £m	31 March 2019 £m
Trading profit	**27.8**	38.2
Interest on bank borrowings	**(1.7)**	(1.4)
Tax on trading activities	**(6.9)**	(7.7)
Adjusted profit after tax	**19.2**	29.1
Shares in issue (no.)	**155.1**	154.1
Adjusted EPS (p)	**12.4p**	18.9p

Tax charge

	31 March 2020 £m	31 March 2019 £m
Profit before tax	**(51.0)**	14.9
Tax at 19%	**9.7**	(2.8)
Movements in unprovided deferred tax	**(1.4)**	0.3
Effect of overseas tax rates	**(1.2)**	(1.8)
Change in tax rate	-	(0.1)
Other items	**(5.6)**	(2.3)
Tax charge	**1.5**	(6.7)

In summary

- The increase in items not deductible in the year to £5.6m (2019: £2.3m) principally relates to impairments to goodwill and intangible assets for which there is no corresponding tax credit