21 May 2019

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Scapa Group plc
Preliminary Results

Scapa Group plc (AIM: SCPA) today announces its Preliminary Results for the year ended 31 March 2019.

Group Financial Highlights:

- Delivered record revenue and trading profit[1]
- Revenue grew 7.0% to £311.8m (2018: £291.5m); 6.9% on a constant currency basis[2]
- Trading profit[1] increased 10.7% to £38.2m (2018: £34.5m); 10.1% on a constant currency basis[2]
- Adjusted earnings per share[3] increased 3.8% to 18.9p (2018: 18.2p)
- Basic earnings per share of 5.3p (2018: 15.4p); reflecting business reorganisation and site closures
- Adjusted net debt[4] of £43.7m (2018: £3.8m) is after the acquisition of the Systagenix manufacturing facility for a cash consideration of £34.0m and includes the one-off stock build of £2.9m for the Dunstable and Knoxville site moves
- Pension deficit significantly reduced to £8.4m (2018: £21.0m)
- Final dividend increased 20.8% to 2.9p (2018: 2.4p)

Group Operational Highlights:

- Investment in Board and executive leadership teams with key appointments, including Oskar Zahn as Chief Financial Officer, Joe Doherty as an Executive Director and Healthcare President, Sevan Demirdogen as an Executive Director and President & Vice-President, and Juliet Thompson as a Non-Executive Director
- Heejae Chae intends to step down as Group Chief Executive (announced today – see separate press release)

Divisional Highlights

Healthcare:

- Revenue increased 25.3% to £141.3m (2018: £112.8m); 24.4% on a constant currency basis[2].
- On a continuing basis[5] revenue increased 22.1% to £137.7m (2018: £112.8m); 21.2% on a constant currency basis[2]. This includes the benefit of the BioMed and Systagenix acquisitions
- Trading profit[1] of £20.9m (2018: £17.4m) is 20.1% higher and on a continuing basis[5] is £17.3m (2018: £17.4m)
- Organic trading profit margins increased to 16.0% (2018: 15.2%)
- Established two Healthcare Centres of Excellence:
  - Integration of the R&D and manufacturing assets of Systagenix progressing well ahead of expectations in Gargrave, UK
  - Completed investment programme in purpose-built site in Knoxville, US
- Invested in expanding BioMed capabilities to enhance Scapa's value proposition beyond adhesives to meet customer/market demand

Industrial:

- Revenue of £170.5m (2018: £178.7m) was 4.6% lower due to adverse macro conditions; 4.3% lower on a constant currency basis[2]
- Trading profit[1] of £22.3m (2018: £22.5m) and organic trading profit margins increased to 13.1% (2018: 12.6%).
- Industrial business on track to 15.0% trading profit margin target
- Continued to focus on Return on Capital Employed (ROCE); cost-to-serve optimisation delivered
- Asia grew 8.4% predominantly in India; opened a new manufacturing site in Chennai, India, to support the fast-growing Consumer and Automotive markets

Commenting on the results Chief Executive, Heejae Chae said:

"FY 2019 was a transformational year when Scapa took definitive steps to cement a leading position in Healthcare. We have delivered a record profit and crossed the £300m revenue milestone for the first time. The acquisition, by way of a technology transfer of the R&D and manufacturing assets of Systagenix, advances our offering across the continuum of the Healthcare value chain and validates our strategy. Our Industrial business is now a truly global business that is highly profitable and cash-generative. As we enter the next phase of growth, we have refreshed and strengthened our Leadership Team, which positions us well to meet the increasing demands of our customers. I am confident that we have the right strategy and capabilities in place to continue to deliver."

[1] Trading Profit is before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs (see Note 5)
[2] Prior year results translated at current year's average exchange rates
[3] 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
[4] Adjusted net debt excludes temporary finance lease for Knoxville site
[5] 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

For further information:

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About Scapa Group plc

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

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

For further information, please visit www.scapahealthcare.com

Industrial

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

For further information, please visit www.scapaindustrial.com

Chairman’s Statement

Dear shareholder
FY2019 has been a transformative year for the Group as we reached milestones in both revenue and trading profit. We have strengthened our position, expanded our business and built a strong platform for growth. The acquisition in October 2018, by way of technology transfer, of the R&D and manufacturing assets of Systagenix and the exclusive five-year development and supply agreement for Systagenix advanced wound care products completes our Healthcare journey from a roll stock supplier to a fully integrated healthcare company with extensive technologies and capabilities in the markets we serve. The Industrial business is now one of the best-in-class in the US$30bn pressure sensitive market with a global footprint, broad technologies and a portfolio of market-leading customers. We now have two balanced businesses with tremendous potential.

Performance and dividend
Statutory Group revenue increased 7.0% to £311.8m (2018: £291.5m) and revenue on a continuing basis[1] increased 5.7% to £308.2m (2018: £291.5m). Trading profit increased 10.7% to £38.2m (2018: £34.5m) and on a continuing basis was £34.6m (2018: £34.5m). On a constant currency basis[2], revenue on a continuing basis grew 5.6% and trading profits declined 0.3%. On an organic basis trading profit margins improved to 12.5% (2018: 11.8%). Adjusted earnings per share increased 3.8% to 18.9p (2018: 18.2p) and basic earnings per share was 5.3p (2018: 15.4p); the reduction in statutory profit is largely as a result of several business reorganisation and site closure projects. We have seen a further strengthening of the balance sheet including continued actions to manage the legacy pension scheme. The Group ended the year with an adjusted net debt of £43.7m[3] (2018: £3.8m) after the acquisition of Systagenix for a cash consideration of £34.0m and the one-off stock build of £2.9m for the Dunstable and Knoxville site moves.

The Board is proposing to increase the final and full year dividend by 20.8% to 2.9p. Subject to shareholder approval at the Annual General Meeting the dividend will be paid on 23 August 2019 to shareholders on the register on 26 July 2019. The ex-dividend date is 25 July 2019.

Our culture
Throughout our journey, the consistency has been our entrepreneurial culture. Despite the cultural and geographic diversity of the Group, we believe the common thread that binds us is the sense of ownership and taking the right decisions to create value. Five years ago, we codified the culture of principled entrepreneurship in The Scapa Way and our Ten Guiding Principles.

Governance
The Board recognises that a strong governance framework, internal controls, values and culture firmly embedded across the organisation are vitally important and, as such, the Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Group. An external review of the Board’s effectiveness was conducted in 2019.

Board changes
During the year, we have made some changes to the structure and makeup of the Board to reflect our strategy and ambition. Graham Hardcastle, the Group Finance Director, and Martin Sawkins, a Non-Executive Director and Chairman of the Remuneration Committee, retired from the Board. On behalf of the Board I would like to thank Graham and Martin for their contributions. Oskar Zahn joined the Board in October 2018 and was appointed Chief Financial Officer. Oskar brings a breadth of knowledge and experience in various industry sectors and will be a great benefit to the Group as it pursues its strategy for growth. Juliet Thompson joined the Board in January 2019 as a Non-Executive Director. Juliet is Chairman of the Remuneration Committee and a member of the Board’s Audit and Risk and Nomination Committees. Juliet has spent over 20 years actively involved in the life sciences sector working as an investment banker and strategic adviser to healthcare companies in Europe.

Also in January 2019, we expanded our Board with Joe Doherty and Sevan Demirdogen joining as Executive Directors. Joe joined the Board as an Executive Director and the Company as Healthcare President. Joe’s most recent role was President of Olympus Surgical Technologies America responsible for its strategic marketing, development and manufacturing. Prior to this, Joe spent 24 years with Johnson & Johnson in a number of senior roles including R&D.

Sevan joined the Board as an Executive Director and is the President & Executive Vice-President. Sevan joined Scapa in April 2018 from Illinois Tool Works (ITW) where he held various senior roles since 1982. During the last ten years Sevan was the Group President of ITW Stokvis.

Outlook
We reached a milestone of £300m in revenue and delivered a record trading profit. In Industrial, we continue to focus on margin improvement and cash generation to support future growth. In Healthcare, the technology transfer of Systagenix's R&D and manufacturing capabilities from a strategic customer was a transformative transaction. It has enhanced the foundation of our Healthcare strategy and provides the capabilities to deliver long-term sustainable growth as we continue to expand our offering across the complete value chain.

I remain confident of Scapa’s ability to deliver increased returns to our shareholders.

L C Pentz

Chairman

21 May 2019

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 IFRS15 and this is excluded on a ‘continuing’ basis as it represents a non-cash item. This provision will be released on a straight-line basis over a five-year period, in line with the exclusive supply contract
2 Prior year results translated at current year’s average exchange rates
3 Excluding temporary finance lease for Knoxville site

Chief Executive's Strategic Review

Dear shareholder

During the past ten years, we have consistently set ourselves ambitious financial and strategic challenges and have delivered. In FY2019, we have met our commitments once again. The Group crossed the £300m revenue threshold and delivered record trading profits. We completed the acquisition of Systagenix by the way of a technology transfer; the transaction delivered not only the scale in Healthcare but the final leg of our value chain that will enable us to complete our transition from contract manufacturer to turn-key solution provider. Moreover, it validates our strategy to partner with our MedTech customers who are undergoing strategic realignment in an industry that is undergoing a period of significant change. It is now evident that there is a significant trend of MedTech companies focusing on their core competence and shifting to an asset-light strategy. Scapa, as a first mover and long-standing partner of our customers, is well positioned to benefit.

The Industrial business is fast approaching the profit margin target we have set ourselves. The self-help journey that began at negative profit has become a highly profitable and cash-generative Industrial business. The optimisation of our business portfolio has also delivered a defensible business with significantly reduced volatility. During the past ten years, despite the cyclical fluctuation of our Industrial markets, including the current downturn, we have been able to defend our topline while improving our margins through aggressive cost-out measures. As one of the largest and few companies with a global footprint, Scapa Industrial is ideally positioned to grow in a US$30bn pressure sensitive material market. Our focus on key segments where we have competitive positions and technologies should enable us to grow as we shift our focus towards growth. We now have two balanced businesses with clear strategic roadmaps with significant potential.

Performance

Statutory Group revenue increased 7.0% to £311.8m (2018: £291.5m) and revenue on a continuing basis increased 5.7% to £308.2m (2018: £291.5m). Trading profit increased 10.7% to £38.2m (2018: £34.5m) and on a continuing basis was £34.6m (2018: £34.5m). On a constant currency basis, revenue on a continuing basis grew 5.6% whilst trading profits declined 0.3%. Trading profit margins on a continuing basis were 11.2% (2018: 11.8%); on an organic basis they improved to 12.5%. Basic earnings per share was 5.3p (2018: 15.4p); the reduction in statutory profit is largely as a result of several business reorganisation and site closure projects.

Healthcare revenue of £141.3m (2018: £112.8m) on a statutory basis is an increase of 25.3%. On a continuing basis revenue increased 22.1% to £137.7m (2018: £112.8m). This included the impact of the BioMed and Systagenix acquisitions. Organic revenues on a constant currency basis are 4.3% less than prior year caused by temporary delays in product launches, the knock-on effect of operational issues experienced by some of our key customers, and the impact of the shutdown of a third party steriliser in the UK. Systagenix has performed very well in the first six months following the acquisition, delivering higher revenues and accelerating the cost-out programme. Healthcare trading profit of £20.9m (2018: £17.4m) was 20.1% higher and on a continuing basis was £17.3m (2018: £17.4m). Organic trading profit on a constant currency basis is flat at £17.4m.

Industrial revenue of £170.5m (2018: £178.7m) was 4.6% less due to the adverse macro conditions. Organic revenue on a constant currency basis was 5.1% less than prior year. Industrial trading profit of £22.3m (2018: £22.5m) was 0.9% lower. The trading profit margin improved 4.0% to 13.1% (2018: 12.6%), with good progress to the medium-term target of 15.0%. Excluding the impact of Markel, the trading profit margins improved 5.6% to 13.3%.

Markets

The Healthcare markets in which we participate are Advanced Wound Care, Consumer Wellness and Medical Device Fixation which broadly fall under MedTech. The MedTech market is growing around 4% after double-digit growth in the first few years of the 2000s. There are many reasons for the slowdown including the pressure to reduce healthcare costs, the rise of General Practice Officers, the increase in competition, accelerated innovations and the shift to a value-based reimbursement system. As such, the healthcare industry as a whole is undergoing significant change. It means that many of our customers need to readjust their strategic framework. Many are reconsidering their integrated model and shifting toward an asset-light strategy and looking to external partners to fill the gap in development, supply chain and manufacturing. Given our track record of operational excellence and reliability, Scapa is ideally positioned to become their partner of choice. To date, our focus has been on consumable and disposable adhesive-based products. However, our acquisition of BioMed further expands our addressable markets into topical products which is significant.

The Industrial US$30bn pressure sensitive material market is global, diverse and fragmented. The technology prevails 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 the Construction and Consumer markets, 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 require increasingly accelerated new product development, product availability and regional support. The Cable, Automotive and Specialty markets 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 largest and few companies with a global footprint to support the OEMs.

Strategy

At the core of our Healthcare strategy is a portfolio of customers who are global leaders in their categories. Our long partnerships and knowledge of our customers give us a unique understanding of their needs. We have leveraged our leadership in adhesive technology to expand our value proposition both in products and services, and expanded into liquids, powders and gels through the acquisition of BioMed in March 2018. Driven by macro and structural changes in the MedTech market, many of our customers are evaluating their supply chain strategy including innovation. We are seeing increasing evidence that many of our customers will rely on their trusted partners to accelerate their strategic transition to focus on their core competences and outsource. We believe that Scapa is well placed to play across the full outsourced spectrum:

- driving innovation through our R&D teams;
- leveraging our manufacturing know-how;
- shortening development and launch timelines for new products; and
- providing uncompromising focus on quality and regulatory expertise.

Our growth opportunities beyond the organic market growth are: i) significant opportunities for further technology transfers with our customers; ii) acquisition of additional technologies beyond adhesives and topical products; and iii) NPDs leveraging our technology transfer platforms in our new regional centres of excellence as customers look to accelerate their innovation cycle which will also improve our margin profile.

In Industrial our self-help strategy continues to deliver improvement in margin and return on capital employed. As we optimise our portfolio we see a number of opportunities in the niche markets where we have a competitive advantage. We are one of the few global players in a pressure sensitive material market with the broadest portfolio of adhesive technologies. We are focused on five key segments where we have unique value proposition. We participate in the Automotive segment primarily through our wire harness products where we see further opportunities from increased demand for technologies to support electric vehicles. In Construction, we have European and US franchises with strong brands and established distribution networks of builder merchants and distributors. In Europe, 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 a leader in the Cable market where our water blocking products are sold to leading cable companies. In addition, we have a portfolio of products under Specialty Products including our Renfrew Pro™ Hockey Tape which is used by every professional hockey team in North America, and in Consumer we have been setting the standard for specialised consumer tapes for decades by leveraging our technical expertise and experience.

Progress

We have transformed a European Industrial tape company into a Group with two balanced businesses that are global and market leaders. We have built an exciting healthcare platform that started as a PowerPoint presentation. Our Industrial business is now a truly global business that is highly profitable and cash generative.

I believe that the next phase of Scapa's journey will be equally exciting and rewarding. We have a clear strategic blueprint for both Healthcare and Industrial. More importantly, the foundations are in place. Our strategy has always been based on the people and our entrepreneurial culture which has enabled 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 underpinned by integrity and compliance. As we enter the next phase, we have refreshed and strengthened our Leadership Team. We have the right people in the right place with the right experiences. I am confident that we will continue to meet the challenge.

Operational review – Healthcare

Overview

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

Through innovation, expertise and alignment of our core values, we support leading healthcare companies through their growth challenges by developing and manufacturing innovative skin friendly fixation devices and topical skin care solutions. Our deep understanding of the markets we serve and our strategic relationship with our customers enabled us to deliver another year of profitable growth.

We have continued to invest in the business and find innovative solutions to strengthen our position as our customers' preferred outsource partner.

Performance

Healthcare revenue of £141.3m (2018: £112.8m) on a statutory basis is an increase of 25.3%. On a continuing basis revenue increased 22.1% to £137.7m (2018: £112.8m). This includes the impact of the BioMed and Systagenix acquisitions. Organic revenues on a constant currency basis are 4.3% less than prior year caused by delays in product launches, the knock-on effect of operational issues experienced by some of our key customers, and the impact of the shutdown of a third party steriliser in the UK. Systagenix has performed very well in the first six months following the acquisition, delivering higher revenues and accelerating the cost-out programme. Healthcare trading profit of £20.9m (2018: £17.4m) is 20.1% higher and on a continuing basis is £17.3m (2018: £17.4m). Organic trading profit on a constant currency basis is flat at £17.4m.

Markets

The demand for innovation from leading brands and the need to streamline their development processes have increased substantially over the last few years. Scapa Healthcare's innovation strategy seeks to build a robust pipeline of research and development programmes, as well as new customer development projects. Through its strategic development and acquisition strategy, Scapa Healthcare has positioned itself for growth as an innovative partner to existing and emerging healthcare companies around the world.

Scapa Healthcare made significant investments in expanding BioMed Laboratories' capabilities to enhance our value proposition beyond skin adhesives and to deliver on the increased demand for topical skin care solutions with Advanced Wound Care, Ostomy and Consumer companies. The complementary topical solutions platform has resonated well with Scapa Healthcare's existing customers and created opportunities to innovate and diversify their product portfolio.

Ongoing work to develop market-driven technologies continues to be part of Scapa Healthcare's innovation strategy. In 2018 Scapa Healthcare introduced a new generation of hydrocolloid adhesives. The technology offers unique performance characteristics for ostomy, device fixation and advanced wound care applications. Leveraging BioMed's unique custom formulation capabilities, Scapa Healthcare launched two private label topical skin care products with a unique blend of antioxidants and natural ingredients. The proprietary products are suitable for professional and consumer skin care applications.

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 in the healthcare sector.

Our strategy is to become our customers' de facto product development and manufacturing arm. We will remain a business to business partner that supports customers in the design, manufacturing and distribution of new medical devices and topical skin care products into the healthcare markets we serve.

Our team of dedicated experts and full turn-key capabilities allow us to provide finished products, which enable us to rapidly take a product from concept to 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. This strategy allows us to secure exclusive agreements with customers with the intent of revitalising their product lines through innovation and operational optimisation to simplify their supply chain. As our business evolves, we continue to focus on optimising capabilities across the business unit to deliver on customer and shareholder expectations.

Building on our acquisition strategy, the technology transfer of the Gargrave, UK, site was our third and largest signed so far. This transfer elevated Scapa Healthcare's strategic partnership with one of the largest global Advanced Wound Care companies. In addition to the acquisition of the manufacturing operations, sterilisation services, R&D and regulatory support functions and a multi-year supply agreement, we are committed to supporting their innovation strategy through mutual collaboration with their research and development team.

To enhance our plan, we will continue to establish a strong platform for growth with long-term contract renewals and increased strategic engagement with our customers. We actively aim to expand our technology and product portfolio, sales channels, manufacturing capabilities and capacity and quality and regulatory services to remain a value-add partner to our customers and increase our share of the customers' total spend. In order to do so, we must focus on the full supply chain and complete product processes from design and raw material selection, through converting and packaging, to sterilisation and logistics. We strive to be our customers' strategic outsource partner of choice.

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

This year we have made significant investments in capacity and the organisation to deliver on our growth strategy. The new Knoxville, Tennessee, site has been completed on time and within budget. The site is equipped with additional compounding and packaging capabilities and analytical laboratory services to support our US customers. Likewise, the site at Gargrave, UK, houses comprehensive manufacturing capabilities and services that are now available to our European customers.

We continue to execute on the implementation of our technology transfers to ensure a continual stream of revenue for future years while focusing on footprint optimisation and operational efficiencies to maximise the expectations of our customers and shareholders.

In order to deliver in the ever-changing healthcare industry, we will continue to expand and strengthen our current capabilities and monitor any gaps in the value chain. We will invest through targeted acquisitions to support our growth strategy and deliver more value.

Operational review – Industrial

Overview

The Industrial business unit continues on its journey of improving shareholder return. Despite lower revenues due to strong end market headwinds, particularly in Automotive and European Cable markets, the Industrial business ended the year with trading profit essentially in line with prior year. Trading profit margins improved by 4.0% reaching 13.1% towards its goal of achieving 15.0% trading profit margin. Improvement of trading profit margin was achieved through favourable product mix, optimising the operational footprint and leveraging existing overheads.

Performance
Industrial revenue of £170.5m (2018: £178.7m) was 4.6% less due to adverse macro conditions. Organic revenue on a constant currency basis was 5.1% less than prior year. Industrial trading profit of £22.3m (2018: £22.5m) was 0.9% lower. The trading profit margin improved 4.0% to 13.1% (2018: 12.6%), with good progress towards the medium-term target of 15.0%. Excluding the impact of Markel, the trading profit margins improved 5.6% to 13.3%.

Markets
The key markets we serve delivered mixed results this year. While most saw overall macro growth, the sub-segments where we lead were heavily impacted by infrastructure spend delays, fluctuating weather and regional slowdowns from trade volatility and uncertainty. Parallel to these conditions, all markets also presented new requirements in product performance and heightened regulatory standards.

We recognised these challenges and opportunities early in the year and adjusted our sales and development initiatives to minimise the overall impact while continuing to deliver profit expectations. Further leveraging our efforts from 2018, product development and existing product portfolios focused on efficiently delivering against these evolving market requirements. Our overall range was further rationalised, eliminating lower-value product groups, while selectively adding new technologies across each of our flagship products, brands and segments.

Our Engineered Products businesses, consisting of Automotive, Cable and Specialty, delivered new business across all regions and customers.

In Automotive we were OEM approved and began product shipments to support 20 new passenger car models in North America, Europe and China. We also saw increased demand for technologies to support electric vehicle (EV) and artificial intelligence formats, successfully qualifying multiple materials into several EV platforms. Our 2018/19 efforts, combined with our pipeline and market regionalisation trends, have driven our investment in new PVC coating in India.

Cable, despite overall market challenges in delayed infrastructure spend in our high-voltage/subsea sector, saw successful material qualification at new locations in all strategic accounts. Our North American business, dominated by our water blocking technologies for fibre optic cable, continued to grow in line with our customers as a result of market broadband expansions and 5G implementation. In Europe we significantly progressed integration of our market-leading European Construction Products Regulation (CPR) product range across all key accounts and our efforts on next-generation water blocking hybrid technology have put us at the forefront of market-changing DC high-voltage cable design. Looking forward, we are starting to see increased activity from all major accounts and will continue to benefit from continued market consolidation and our current levels of strategic engagement.

The Specialty Products segment was a regional highlight as we saw a resurgence in Europe with our niche materials for printing and graphics, textile, athletic and industrial manufacture. This business benefited from both strong manufacturing demand and the focused launch of several higher-value solutions. The performance and flexibility of this portfolio also enabled expansion into adjacent sectors and regions with new business gained in North America (printing and graphics), white goods, aerospace and high-end electrical applications.

Our Commercial Products businesses – Construction and Consumer – were impacted by regional conditions delaying new builds and minimising remediation and restoration requirements for our flagship products in the first half of the year. The second half saw stronger demand in North America and also benefited from the launch of two complementary products in our market-leading Polyflex™ polyethylene tape range.

Finally, our Asian business continues to leverage favourable macro trends as our line of masking and PVC products continues to expand with our customers. As with all of our businesses, we will continue to leverage these strategic relationships to further grow our business.

Strategy
Building on our ongoing commercial strategy to concentrate on core markets with differentiated application solutions has enabled the Industrial business to gain market share with our key customers. Our commercial team is poised to gain additional market share at our key customers through a focused strategy to introduce additional products and technologies that are not currently in their portfolio. In addition, we have started an initiative to pursue cross-selling opportunities in adjacent markets and with prospects that are similar to our current core customers. Both of these strategies, coupled with our new product development projects, will enable our commercial teams to introduce new application solutions for ever-changing customer requirements.

Our operational excellence team continues to optimise and improve manufacturing processes and quality standards. Significant investments were made to improve our operational capabilities throughout our European and North American sites. The recently established converting and distribution facility in Chennai, India, will be expanded to include a state-of-the-art PVC coating line, along with the establishment of a new distribution centre located in New Delhi.

We will continue to focus on enhancing our commercial and operational capabilities to further improve market share gains as well as trading profit and margin results.

Chief Financial Officer’s review

It was another impressive year for the business with record trading results. The Healthcare business completed a transformative technology transfer in the UK providing a centre of excellence for Europe, alongside the ongoing move into a new purpose-built facility in Knoxville as our North American centre of excellence for Healthcare. The Industrial business continued its journey towards the medium-term margin target of 15.0%, despite some challenges with the integration of the Markel acquisition from August 2017, and continued to focus on cash generation and margin improvement to fund further growth for the Group.

The dividend has once again been increased by 20.8% to 2.9p, supported by our confidence in the sustainability of this growth and our expectations of continued cash generation.

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

Statutory Group revenue increased 7.0% to £311.8m (2018: £291.5m) and revenue on a constant currency basis grew to 6.9%.

Healthcare revenue of £141.3m (2018: £112.8m) on a statutory basis is an increase of 25.3%. On a continuing basis revenue increased 22.1% to £137.7m (2018: £112.8m). This includes the impact of the BioMed and Systagenix acquisitions. Organic revenues on a constant currency basis are 4.3% less than prior year caused by delays in product launches, the knock-on effect of operational issues experienced by some of our key customers, and the impact of the shutdown of a third party steriliser in the UK. Systagenix has performed very well in the first six months following the acquisition, delivering higher revenues and accelerating the cost-out programme.

Industrial revenue of £170.5m (2018: £178.7m) was 4.6% less due to the adverse macro conditions. Organic revenue on a constant currency basis was 5.1% less than prior year.

Group operating profit fell to £16.8m (2018: £30.7m) largely as a result of several business reorganisation and site closure projects following the acquisition of Systagenix in October 2018.

In order to monitor the performance of the Group on a consistent basis, the Group uses certain alternative performance measures which enable it to assess the underlying performance of its business, and assist shareholders in better understanding this performance. The Group's key financial performance metric is 'Trading profit', which is operating profit before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs. The reconciliation between trading profit and operating profit is shown below:

Reconciliation between trading profit and operating profit

	£m
Trading Profit	38.2
Amortisation	(6.0)
Exceptional items	(12.8)
Pension admin costs	(0.6)
Acquisition costs	(2.0)
Operating Profit	16.8

Trading profit increased 10.7% to £38.2m (2018: £34.5m) and on a continuing basis was £34.6m (2018: £34.5m). Trading profit margins on a statutory basis are 12.3% (2018: 11.8%) and fall to 11.2% on a continuing basis.

Healthcare trading profit of £20.9m (2018: £17.4m) was 20.1% higher and on a continuing basis was £17.3m (2018: £17.4m). Organic trading profit on a constant currency basis is flat at £17.4m, although we saw a return to organic growth in the second half of the year; the trading profit margin for Healthcare was 14.8%, weakened somewhat by the acquisition mix from 15.4% in the prior year, with an organic trading profit margin improvement to 16.0% (2018: 15.4%).

Industrial trading profit of £22.3m (2018: £22.5m) was 0.9% lower. The trading profit margin improved 4.0% to 13.1% (2018: 12.6%), with good progress to the medium-term target of 15.0%. Excluding the impact of Markel, the trading profit margins improved 5.6% to 13.3%.

Profit before tax
The Group profit before tax was £14.9m (2018: £28.8m), with the reduction as a result of the exceptional and adjusted items shown above. The adjusted profit before tax was £36.8m[1] (2018: £27.6m).

Currency
Currency translation had an overall beneficial impact on both sales and profit during the 2018 reporting period, increasing sales by 0.1% and trading profit by 0.6%.

Exceptional and non-trading adjusted items
Exceptional costs of £12.8m (2018: £0.1m gain) were booked in the period.

A charge of £1.0m related to the potential increase in the UK defined benefit pension scheme liabilities following the recent court judgement regarding the equalisation of pension scheme benefits in relation to Guaranteed Minimum Pensions (GMPs). This judgement affects all UK relevant schemes and confirms that member benefits do need to be equalised for the effects of unequal GMPs and provides some clarity on the methodology that should be used, impacting benefits earned between 17 May 1990 and 5 April 1997.

Included in the exceptional items were site closures and asset write-offs and accelerated depreciation costs of £14.0m relating to the closure of the UK Dunstable manufacturing site and three site closures in the US with a move into the newly-built Knoxville site. We expect these closures to be completed in the next financial year.

On an annual basis the Group assesses the recoverability of all goodwill, intangible and asset balances. At 31 March 2019 the discounted cash flows for the Ramsbury site did not support the goodwill associated with the acquisition in February 2015, largely as a result of the delays in a major customer product launch. An impairment of £4.6m was recognised as a result.

Deferred consideration of £6.8m was released following the acquisition of BioMed in March 2018, with the aspirational targets of the previous owners unlikely to be attained within the two-year timeframe following acquisition.

The Group has also adjusted the trading profit for the following non-trading items as shown above in the reconciliation between statutory operating profit and trading profit:

- amortisation of intangible items of £6.0m;
- pension administration costs for the legacy UK scheme of £0.6m; and
- following the acquisition of Systagenix, acquisition costs of £2.0m were incurred in the period.

Systagenix acquisition impact

On 1 October 2018 Scapa Group plc acquired 100% of the share capital of Systagenix Wound Management Manufacturing Ltd from Acelity for a cash consideration of £34.0m and entered an exclusive five-year development and supply agreement for Systagenix advanced wound care products to Acelity.

This transformative transaction has enhanced the foundations of the Group's Healthcare strategy and provides the capabilities to deliver long-term sustainable growth as we expand across the complete value chain. As the acquisition also included a five-year exclusive agreement, this was subject to the fair value requirements of IFRS 15 Revenue from Contracts with Customers and as a result a contract liability provision of £35.8m was created upon acquisition which will be released across the five-year supply agreement. This release is £3.6m in the period to 31 March 2019 against revenue and is excluded when we refer to the term 'continuing', i.e. the continuing basis in the Group's results before the impact of this IFRS 15 uplift.

Cash flow

	2019 £m	2018 £m
Cash generated from operations	**23.3**	34.7
Cash outflow on exceptional items	**(2.9)**	(3.6)
Net capital expenditure	**(27.1)**	(6.4)
Net tax and interest	**(9.2)**	(4.1)
Proceeds from disposal of fixed assets	**1.0**	–
Proceeds from disposal of available-for-sale assets	–	13.3
Free cash flow	**(14.9)**	33.9
Dividend paid	**(3.7)**	(3.0)
Exchange and other movements	**(1.0)**	1.9
(Decrease)/Increase in net cash	**(19.6)**	32.8
Opening net debt	**(3.8)**	(16.1)
Acquisitions	**(32.3)**	(20.5)
Closing net debt	**(55.7)**	(3.8)

The net debt includes £12.0m for a temporary finance lease for the new Knoxville site.

Net debt to EBITDA

The Group has a revolving credit facility of £70m committed with a further £30m uncommitted accordion until October 2022, and there is a good level of headroom against the facility at the end of March 2019. At the end of the year adjusted net debt was £43.7m[2] (2018: £3.8m) and the ratio of net debt to EBITDA was 0.95 times, giving significant headroom against our facility covenant of 3 times. The Group continues to operate well within its banking covenants.

	2019 £m	2018 £m
Trading profit	**38.2**	34.5
Depreciation	**7.7**	6.3
EBITDA	**45.9**	40.8
Net debt to EBITDA	**1.21x**	0.09x
Adjusted net debt to EBITDA	**0.95x**	0.09x

Taxation

The adjusted effective tax rate was 20.9% (2018: 16.2%) resulting in a tax charge of £6.7m (2018: £5.3m) and includes a £7.7m (2018: £5.4m) charge on trading activities and £1.0m credit (2018: £0.1m 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. The 2018 rate of 16.2% benefited from the one-off effect of the passing of the Tax Cuts and Jobs Act in the US in December 2017, with the 2019 rate of 20.9% moving back to a normalised rate. 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 £7.8m (2018: £2.8m) with the increase partially attributable to the tax payable to the Swiss authorities following the sale of the Swiss site in 2017.

Earnings per share

Adjusted earnings per share improved by 3.8% to 18.9p (2018: 18.2p) and basic earnings per share fell to 5.3p (2018: 15.4p) as a result of site closures and reorganisation costs in the period.

Pension

The balance sheet value of the Group's defined pension schemes was a deficit of £8.4m (2018: £21.0m) at the end of March 2019. 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 Actuary completed the latest triennial valuation for the scheme during this year and as a result no changes were required to the contributions arrangement beyond those agreed through the 2012 Central Asset Reserve (CAR) structure which were £4.0m (2018: £3.9m) in the year.

Scapa continues to work closely with the Trustee of the UK scheme in a joint working party arrangement as we seek to move the UK scheme to a full buy-out position in the medium-term.

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

We did see a very small level £4.7m uplift in revenues in the year ended 31 March 2019 as a result of some customer pull-forwards as part of their Brexit planning strategies.

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 risks in its review of going concern within the following categories; Strategic, Financial, Market, Operations and Regulatory, and has been able to conclude the review satisfactorily.

[1] Trading profit less cash interest

[2] Excluding temporary finance lease for Knoxville site

Consolidated Income Statement
for the year ended 31 March 2019

All on continuing operations	note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Revenue	2	**311.8**	291.5
Operating profit	2, 4	**16.8**	30.7
Trading profit*		**38.2**	34.5
Amortisation of intangible assets		**(6.0)**	(3.3)
Exceptional items	5	**(12.8)**	0.1
Acquisition costs		**(2.0)**	–
Pension administration costs		**(0.6)**	(0.6)
Operating profit		**16.8**	30.7
Net finance costs	7	**(1.9)**	(1.9)
Profit on ordinary activities before tax		**14.9**	28.8
Taxation charge	8	**(6.7)**	(5.3)
Profit for the year		**8.2**	23.5
Weighted average number of shares	9	**154.1**	153.1
Basic earnings per share (p)	9	**5.3**	15.4
Diluted earnings per share (p)	9	**5.2**	14.8
Adjusted earnings per share (p)**	9	**18.9**	18.2

* Profit before tax, before net finance costs, amortisation of intangible assets, exceptional items, 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 year ended 31 March 2019

All on continuing operations	note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Profit for the year		**8.2**	23.5
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		**5.5**	(9.8)
Actuarial gain		**9.4**	6.6
Items that will not be reclassified subsequently to profit and loss:			
Deferred tax on actuarial gain		**(0.5)**	(0.7)
Other comprehensive income for the year		**14.4**	(3.9)
Total comprehensive income for the year		**22.6**	19.6

Consolidated Balance Sheet
as at 31 March 2019

	note	**31 March 2019 £m**	31 March 2018 £m
Assets			
Non-current assets			
Goodwill	12	**108.3**	67.2
Intangible assets	13	**10.8**	11.0
Property, plant and equipment	14	**81.0**	45.6
Deferred tax asset	8	**4.3**	5.2
Other receivables		**0.2**	0.2
		204.6	129.2
Current assets			
Inventory	15	**45.9**	35.0
Trade and other receivables	16	**69.2**	58.8
Current tax asset		**1.1**	0.2
Cash and cash equivalents	17	**10.8**	18.1
		127.0	112.1
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	19	**(12.2)**	(1.0)
Trade and other payables	18	**(58.5)**	(57.2)
Deferred consideration		**–**	(2.9)
Current tax liabilities		**(1.2)**	(2.7)
Provisions	20	**(18.6)**	(2.2)
		(90.5)	(66.0)
Net current assets		**36.5**	46.1
Non-current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	19	**(54.8)**	(21.5)
Trade and other payables	18	**(0.6)**	(0.1)
Deferred consideration		**–**	(3.5)
Deferred tax liabilities	8	**(6.0)**	(4.5)
Non-current tax liabilities		**(3.8)**	(2.9)
Retirement benefit obligations		**(8.4)**	(21.0)
Provisions	20	**(28.1)**	(2.9)
		(101.7)	(56.4)
Net assets		**139.4**	118.9
Shareholders' equity			
Ordinary shares		**7.7**	7.7
Share premium		**1.0**	0.4
Retained earnings		**101.8**	87.4
Translation reserve		**28.9**	23.4
Total shareholders' equity		**139.4**	118.9

Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital £m	Share premium £m	Translation reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March 2017	7.6	0.4	33.2	59.2	100.4
Employee share option scheme – value of employee services	–	–	–	1.9	1.9
Equity-settled share-based payments	–	–	–	(0.1)	(0.1)
Dividends to shareholders	–	–	–	(3.0)	(3.0)
Issue of shares	0.1	–	–	–	0.1
	0.1	–	–	(1.2)	(1.1)
Currency translation differences	–	–	(9.8)	–	(9.8)
Actuarial gain on pension schemes	–	–	–	6.6	6.6
Deferred tax on actuarial gain	–	–	–	(0.7)	(0.7)
Net income recognised directly in equity	–	–	(9.8)	5.9	(3.9)
Profit for the period	–	–	–	23.5	23.5
Total comprehensive income	–	–	(9.8)	29.4	19.6
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**

Consolidated Cash Flow Statement

for the year ended 31 March 2019

All on continuing operations	note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Cash flows from operating activities			
Net cash flow from operations	21	**20.4**	31.1
Cash generated from operations before exceptional items	21	**23.3**	34.7
Cash outflows from exceptional items	21	**(2.9)**	(3.6)
Net cash flow from operations		**20.4**	31.1
Net interest paid		**(1.4)**	(1.3)
Income tax paid		**(7.8)**	(2.8)
Net cash generated from operating activities		**11.2**	27.0
Cash flows used in investing activities			
Acquisition of subsidiary, net of cash acquired	11	**(32.3)**	(20.5)
Purchase of property, plant and equipment		**(27.1)**	(6.4)
Purchase of capitalised development costs		**(0.1)**	(0.2)
Proceeds from disposal of fixed assets		**1.0**	–
Proceeds from disposal of available-for-sale assets*		**–**	13.3
Net cash used in investing activities		**(58.5)**	(13.8)
Cash flows generated from/(used in) financing activities			
Issue of shares		**0.6**	–
Dividends		**(3.7)**	(3.0)
Increase in borrowings		**123.2**	34.8
Repayment of borrowings		**(80.7)**	(38.1)
Net cash generated from/(used in) financing activities		**39.4**	(6.3)
Net (decrease)/increase in cash and cash equivalents		**(7.9)**	6.9
Cash and cash equivalents at beginning of the year		**18.1**	12.1
Exchange gains/(losses) on cash and cash equivalents		**0.6**	(0.9)
Total cash and cash equivalents at end of the year	17	**10.8**	18.1

* Gain on disposal treated as exceptional income

Notes on the accounts

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 March 2019. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in June 2019.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 31 March 2019. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The annual financial statements of Scapa Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Segmental reporting

Business unit segments

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

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

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

Segment results

The segment results for the year ended 31 March 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**

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 2019	**128.8**	**145.7**	**22.4**	**14.9**	**311.8**
External revenue – 31 March 2018	111.2	141.8	20.4	18.1	291.5

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

	Europe £m	N America £m	Asia £m	Other £m	Group £m
External revenue – 31 March 2019	**124.3**	**167.3**	**18.2**	**2.0**	**311.8**
External revenue – 31 March 2018	110.5	162.7	15.8	2.5	291.5

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

The segment results for the year ended 31 March 2018 are as follows:

	Healthcare £m	Industrial £m	Head office £m	Group £m
External revenue	112.8	178.7	–	291.5
Trading profit/(loss)	17.4	22.5	(5.4)	34.5
Amortisation of intangible assets	(2.9)	(0.4)	–	(3.3)
Exceptional items	(1.5)	1.8	(0.2)	0.1
Pension administration costs	–	–	(0.6)	(0.6)
Operating profit/(loss)	13.0	23.9	(6.2)	30.7
Net finance costs	–	–	–	(1.9)
Profit on ordinary activities before tax	–	–	–	28.8
Tax charge	–	–	–	(5.3)
Profit for the year	–	–	–	23.5

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	112.8	178.7	–	291.5
Foreign exchange	0.8	(0.5)	–	0.3
Underlying external revenue	113.6	178.2	–	291.8
Trading profit/(loss)	17.4	22.5	(5.4)	34.5
Foreign exchange	0.1	0.1	–	0.2
Underlying trading profit/(loss)	17.5	22.6	(5.4)	34.7

3. Segment assets and liabilities

The Board does not review assets and liabilities by business unit but by geographical area as reporting entity balance sheets cannot be split accurately by business unit. The assets and liabilities at 31 March 2019 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*	**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

The assets and liabilities at 31 March 2018 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*	30.8	91.5	1.2	0.5	124.0
Inventory	14.9	17.9	2.2	–	35.0
Trade receivables – net	23.5	27.0	1.8	–	52.3
Trade payables	(23.3)	(14.6)	(0.7)	(1.2)	(39.8)
Cash	6.6	8.6	2.9	–	18.1
Additions of property, plant and equipment	3.1	3.0	0.2	0.1	6.4

* Non-current assets excluding deferred tax assets

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

4. Operating profit

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

	2019 £m	2018 £m
Revenue	**311.8**	291.5
Materials and overheads	**(155.1)**	(143.7)
Factory costs (excluding employee costs)	**(26.9)**	(23.2)
Outward freight costs	**(7.5)**	(7.4)
Directors' and employees' costs	**(68.7)**	(67.3)
Depreciation of tangible fixed assets:		
– owned assets	**(7.6)**	(6.2)
– leased assets	**(0.1)**	(0.1)
Operating lease rentals:		
– land and buildings	**(3.2)**	(2.8)
– plant, machinery and other	**(0.9)**	(1.0)
Repairs and maintenance costs	**(3.8)**	(3.7)
Amortisation of government grants received	**–**	0.1
Research and development costs (excluding employee costs)	**(1.7)**	(0.9)
Foreign exchange (losses)/gains	**(0.2)**	(0.6)
Amortisation of other intangible assets	**(5.6)**	(3.1)
Amortisation of internally-generated assets	**(0.4)**	(0.2)
Movement in inventory provision	**(0.4)**	(0.8)
Impairment gain/(loss) recognised in trade receivables	**0.3**	(0.2)
Exceptional items	**(12.8)**	0.1
Pension administration costs	**(0.6)**	(0.6)

The analysis of auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Audit fees – Parent Company	**113**	117
Audit fees – subsidiary undertakings	**312**	246
Taxation compliance services	**6**	17
Taxation advisory services	**2**	4
Other audit related assurance services	**11**	10
Corporate finance services	**–**	217
Other non-audit services	**31**	5
	475	616

Total audit fees were £425,000 (2018: £363,000). Total non-audit fees payable to the auditor were £50,000 (2018: £253,000). Other non-audit services relate to remuneration advice.

5. Exceptional items

	2019 £m	2018 £m
Operating income:		
BioMed deferred consideration adjustment	**6.8**	–
Swiss land and building sale	**–**	6.9
Operating expenses:		
Site closure costs	**(11.7)**	(2.9)
Asset write-offs and accelerated depreciation	**(2.3)**	(1.8)
Goodwill impairment	**(4.6)**	–
Pension GMP equalisation	**(1.0)**	–
Reorganisation costs	**–**	(1.1)
Abortive acquisition costs	**–**	(0.2)
Acquisition costs	**–**	(0.8)
	(12.8)	0.1

Exceptional operating income

An exceptional gain of £6.8m relating to BioMed Laboratories LLC deferred consideration was released due to the current and proposed future year performance not supporting the achievement of the aspirational growth plans of the former owners given at the time of acquisition.

The prior year exceptional operating income related to the closure of the Rorschach site in Switzerland in 2016. The land and buildings were sold on 20 July 2017 for an amount of £13.3m, resulting in an exceptional gain for this disposal of £6.9m.

Exceptional operating expenses

Site closure costs of £11.7m and asset write-offs and accelerated depreciation of £2.3m comprises four key areas within Scapa Group as follows:

- The Dunstable and Luton manufacturing facility in the UK entered a formal closure consultation process following the initial closure announcement in September 2018. The closure was confirmed in October 2018 following the consultation period. As at 30 September we had recognised £2.2m in exceptional operating expenses but this was before the acquisition of Systagenix and the subsequent business transfer to Gargrave. The Operational Excellence team have now carried out a full cost assessment for the closures of the sites and transfer of the appropriate assets and this now totals £8.9m.
- The integration of the technical transfer business into Gargrave and the restructuring of the Systagenix business totals £1.5m.
- The closure costs of the Inglewood and Liverpool sites in the US total £3.4m. This is in order to facilitate the move into a Healthcare centre of excellence in Knoxville.
- Additional impairment costs of £0.2m in the year were incurred following the prior year closure of the Korean manufacturing site.

On an annual basis the Group assesses the recoverability of all goodwill, intangible and asset balances. The discounted cash flows calculated for the Ramsbury site currently do not support the goodwill associated with the acquisition of the business in February 2015, largely as a result of the delays in a major customer product launch. Goodwill impairment of £4.6m has been recognised at 31 March 2019.

Pension GMP equalisation costs have been incurred following the Lloyds High Court Case on the recognition of GMP in UK pension scheme liabilities, this has been calculated to increase the Scapa Group plc pension scheme liability by £1.0m as at the end of March 2019.

The prior year exceptional operating expenses related to: the exit of production from Korea; £2.9m closure and associated transfer cost; plus an additional £1.8m for the impairment of assets; reorganisation of a UK based manufacturing facility of £1.1m for employee-related severance costs; acquisition costs of £0.8m relating to the acquisition of Markel Industries and BioMed Laboratories LLC and £0.2m of abortive acquisition costs.

6. Employee benefit expense

	2019 £m	2018 £m
Wages, salaries and other benefits	**57.1**	54.3
Social security costs	**7.7**	8.7
Share options granted to Directors and employees	**1.0**	1.9
Pension costs – defined contribution plans	**2.7**	2.2
Pension costs – defined benefit plans	**0.2**	0.2
	68.7	67.3
Pension GMP equalisation (note 5)	**1.0**	–
	69.7	67.3

Average employee numbers	**2019**	2018
Europe	**771**	607
North America	**654**	635
Asia	**63**	66
	1,488	1,308

7. Net finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**(1.4)**	(1.2)
Interest income on pension scheme assets less interest on scheme liabilities	**(0.5)**	(0.7)
Net finance costs	**(1.9)**	(1.9)

8. Taxation

Income tax charge

	2019 £m	2018 £m
Current tax:		
Tax on trading activities – current year	**(5.8)**	(4.5)
Tax on trading activities – prior year	**0.2**	(0.1)
Tax on non-trading items	**(0.7)**	(1.0)
Total current tax	**(6.3)**	(5.6)
Deferred tax:		
Tax on trading activities – current year	**(1.9)**	(0.7)
Tax on trading activities – prior year	**(0.2)**	(0.1)
Tax on non-trading items	**1.7**	1.1
Total deferred tax	**(0.4)**	0.3
Tax charge on trading activities for the year	**(7.7)**	(5.4)
Tax credit on non-trading items for the year	**1.0**	0.1
Tax charge for the year	**(6.7)**	(5.3)

The tax credit on non-trading items is restricted due to the majority of the site closure costs arising in the UK.

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

	2019 £m	2018 £m
Profit on ordinary activities before tax	**14.9**	28.8
Tax charge at 19.0% (2018: 19%)	**(2.8)**	(5.5)
Movements to unprovided deferred tax	**0.3**	0.3
Income not taxable and other deductions	**–**	0.2
Items not deductible for tax purposes and other taxable items	**(2.3)**	(0.3)
Change in tax rate	**(0.1)**	2.2
Effect of overseas tax rates being higher than UK tax rate	**(1.8)**	(2.0)
Adjustments in respect of prior years	**–**	(0.2)
Actual tax charge for the year	**(6.7)**	(5.3)

The Finance Act 2017 introduced a reduction in the main rate of corporation tax to 17.0% from 1 April 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:

	2019 £m	2018 £m
Deferred tax assets:		
– Losses	**1.8**	0.8
– Provisions and other temporary differences	**1.1**	2.4
– Retirement benefit liabilities	**1.8**	3.3
	4.7	6.5
Deferred tax liabilities:		
– Accelerated tax depreciation	**(1.0)**	(2.2)
– Other temporary differences	**(1.0)**	(0.3)
– Tax effect of goodwill and intangibles	**(4.4)**	(3.3)
	(6.4)	(5.8)

As required by IAS 12, deferred tax assets and liabilities may only be offset where they arise in the same jurisdictions and are therefore presented on the Balance Sheet as follows:

	2019 £m	2018 £m
Deferred tax assets as above	**4.7**	6.5
– Deferred tax liabilities in same jurisdiction	**(0.4)**	(1.3)
Deferred tax asset on the Balance Sheet	**4.3**	5.2
Deferred tax liabilities as above	**(6.4)**	(5.8)
– Deferred tax assets in same jurisdiction	**0.4**	1.3
Deferred tax liability on the Balance Sheet	**(6.0)**	(4.5)

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

Movement in deferred tax	2019 £m	2018 £m
Beginning of the year	**0.7**	0.9
Exchange differences	**(0.2)**	0.2
Income Statement charge	**(0.4)**	0.3
Acquisitions	**(1.3)**	–
Deferred tax on actuarial gain	**(0.5)**	(0.7)
End of year	**(1.7)**	0.7

At the Balance Sheet date, the Group has unused tax losses of £28.5m (2018: £28.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £9.4m (2018: £3.5m) of such losses, based on management forecasts of future taxable profits against which the assets can be recovered in the relevant jurisdictions. No deferred tax asset has been recognised in respect of the remaining £19.1m (2018: £24.9m) 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 £7.9m (2018: £10.0m) 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	2019 £m	2018 £m
Accelerated capital allowances	**3.5**	3.3
Temporary differences	**0.5**	0.8
Pensions	**–**	1.0
Tax losses	**3.9**	4.9
Total	**7.9**	10.0

9. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 158,386,377 (2018: 158,305,608). Diluted earnings per share has been calculated including share options in existence at 31 March 2019.

Adjusted

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

	2019	2018
Profit attributable to equity holders of the Company (£m)	**8.2**	23.5
Weighted average number of ordinary shares in issue (m)	**154.1**	153.1
Basic earnings per share (p)	**5.3**	15.4
Weighted average number of shares in issue, including potentially dilutive shares (m)	**158.4**	158.3
Diluted earnings per share (p)	**5.2**	14.8
Adjusted earnings per share (p)	**18.9**	18.2

10. Dividend per share

A final dividend of 2.9p per share is proposed for the year ended 31 March 2019 (2018: 2.4p). The proposed final dividend is subject to approval by the shareholders and has not been included as a liability in these financial statements. The total estimated dividend to be paid is £4.5m. No interim dividend was proposed.

11. Acquisition of subsidiary

On 1 October 2018 the Group acquired 100% of the share capital of Systagenix Wound Management Manufacturing Limited. Systagenix is a global leader in advanced wound care, developing and marketing therapeutic solutions and supplying over 20 million advanced wound dressings per month to more than 75 countries. Its longstanding commitment to skin and wound care began with innovative wound care treatments developed by the experienced team of R&D scientists at the Gargrave Centre of Excellence for Wound Healing in North Yorkshire, England since 1934. In addition, Scapa has also entered into a five-year exclusive Manufacturing Supply Agreement with Acelity for Systagenix advanced wound care products which expands Scapa's existing partnership with Acelity. This agreement has been treated as part of the consideration for the acquisition, and a contract liability provision has been recognised at fair value based on the principles of IFRS 15.

The Directors believe that the acquisition of Systagenix will give the following benefits to Scapa, including:

- The Gargrave site will serve as Scapa's European centre of excellence for Healthcare
- Significantly enhances Scapa's capabilities, services and footprint
- Adds gamma sterilisation to Scapa's capabilities, providing a unique value proposition and additional flexibility
- Further deepens Scapa's strategic relationship with Acelity
- Brings to the Group 22 R&D scientists with 196 years' combined experience and over half with advanced degrees
- The acquired operations have existing third party Contract Manufacturing Operations and a sterilisation business operated out of Gargrave
- Scapa will leverage the acquired assets and capabilities to continue its organic growth

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	5.0
Property, plant and machinery	18.4
Debtors and other assets	3.3
Inventory	6.7
Cash and cash equivalents	1.7
Deferred tax	(1.3)
Trade and other payables	(4.4)
	29.4
Goodwill	40.4
Total consideration	69.8
Satisfied by cash	34.0
Contract liability provision	35.8

Net cash outflow arising on acquisition:	
Cash consideration	34.0
Less: cash and cash equivalent balance acquired	(1.7)
	32.3

The goodwill and intangibles of £45.4m 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 £2.0m.

Systagenix contributed £22.7m of revenue and £2.0m to Group profit between the date of acquisition and 31 March 2019. If the acquisition of Systagenix had been completed on the first day of the financial year, Group revenues for the period would have been £330.7m and Group profit before tax would have been £18.7m.

On 23 March 2018 the Group acquired 100% of the share capital of BioMed Laboratories LLC. As at 31 March 2018 the Group reported the provisional net assets acquired.

During the year to 31 March 2019 the Group identified additional liabilities of £1.1m within the hindsight period and have reported below the final acquisition balance sheet.

	Reported March 2018 £m	**Final March 2019 £m**
Net assets acquired		
Separately identifiable intangible assets	5.9	**5.9**
Property, plant and machinery	0.8	**0.8**
Debtors and other assets	0.6	**0.6**
Inventory	1.2	**1.2**
Cash and cash equivalents	0.1	**0.1**
Trade and other payables	(0.8)	**(1.9)**
	7.8	**6.7**
Goodwill*	11.9	**13.0**
Total consideration	19.7	**19.7**

* Goodwill value held in US$. Final Goodwill value on acquisition of £13.0m is prior to revaluation. As at 31 March 2019 the goodwill value is £13.9m

12. Goodwill

	2019 £m	2018 £m
Cost		
1 April 2018	**90.9**	82.9
Additions	**41.5**	16.3
Exchange differences	**5.8**	(8.3)
31 March 2019	**138.2**	90.9
Accumulated amortisation and impairment		
1 April 2018	**(23.7)**	(26.5)
Exchange differences	**(1.6)**	2.8
Impairment	**(4.6)**	–
31 March 2019	**(29.9)**	(23.7)
Net book value at 31 March 2019	**108.3**	67.2

In the year the goodwill value of First Water Limited was impaired by £4.6m. As at 31 March 2019 the discounted cash flows calculated for the Ramsbury site did not support the goodwill associated with the acquisition of the business in February 2015, largely as a result of the delays in a major customer product launch.

Goodwill relates to the Acutek Medical operation £14.7m (2018: £13.8m), Webtec £16.0m (2018: £15.0m), First Water Limited £2.1m (2018: £6.7m), EuroMed £16.7m (2018: £15.6m), Markel Industries £4.5m (2018: £4.2m), BioMed Laboratories £13.9m (2018: £11.9m) and Systagenix £40.4m.

The carrying value of the Group's goodwill is not subject to annual amortisation and was tested for impairment at March 2019. 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. The base twelve-month projection is inflated by zero to 10.0% up to year 5, which management believes does not exceed the long-term average growth rate for the industry, and then is subject to a zero to 1% growth and costs inflation through to year 20, with a terminal value calculated on a perpetuity basis.

These cash flows are discounted at a pre-tax discount rate of 10.0% (2018: 10.0%) and adjusted for specific risk factors that take into account the sensitivities of the projection. The market participant WACC is assessed as being suitable for each cash-generating unit as these are based within the UK and US, where returns are similar. The Group has conducted a sensitivity analysis on the impairment test of the impact of a no-deal Brexit. If the assumed growth rate was reduced to 0% and an increase in the pre-tax discount rate to 14.0%, the recoverable amount of all cash generating units would reduce, with three sites being subject to potential impairment. However, the Board are confident that the current growth opportunities for these sites will support the carrying values of these cash generating units and no further impairment is required.

13. Other intangible assets

	Patents and development costs £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 2017	4.7	8.9	2.9	1.3	17.8
Exchange differences	(0.4)	(0.4)	–	–	(0.8)
Additions	0.2	–	–	–	0.2
Acquisition of subsidiary	0.2	7.8	–	–	8.0
31 March 2018 and 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**
Amortisation					
1 April 2017	(1.3)	(6.2)	(2.8)	(0.9)	(11.2)
Exchange differences	0.1	0.2	–	–	0.3
Charge for the year	(1.2)	(1.9)	–	(0.2)	(3.3)
31 March 2018 and 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)**
Carrying amount					
31 March 2019	**1.3**	**9.3**	**–**	**0.2**	**10.8**
31 March 2018	2.3	8.4	0.1	0.2	11.0
Remaining useful economic life (years)	1–3	1–3	–	1–2	–

The brought forward intangible assets relate to the acquisition of BioMed Laboratories in 2018, Markel Industries in 2017, EuroMed Inc in 2016, First Water Limited in 2015 and Webtec in 2011. No value has been assigned to brand names, as Scapa companies are contract manufacturers and inherent brand value resides with customers rather than the manufacturer.

14. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 2017	14.8	8.7	114.2	5.0	19.8	1.6	164.1
Exchange differences	(0.7)	(0.2)	(5.0)	(0.2)	(0.6)	(0.1)	(6.8)
Additions	0.3	0.3	2.4	0.5	0.2	2.7	6.4
Acquisition of subsidiary	–	–	0.7	0.2	–	–	0.9
Disposals	–	–	(22.3)	(1.6)	(0.6)	–	(24.5)
Transfers	0.6	–	1.0	0.1	0.2	(1.9)	–
31 March 2018 and 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**
Accumulated depreciation							
1 April 2017	(5.6)	(4.7)	(82.0)	(3.8)	(18.7)	–	(114.8)
Exchange differences	0.3	0.1	3.6	0.2	0.5	–	4.7
Depreciation	(0.7)	(0.3)	(4.5)	(0.3)	(0.5)	–	(6.3)
Impairment	–	–	(1.8)	–	–	–	(1.8)
Disposals	–	–	21.5	1.6	0.6	–	23.7
31 March 2018 and 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)**
Carrying amount							
31 March 2019	**29.9**	**4.1**	**35.1**	**1.9**	**1.4**	**8.6**	**81.0**
31 March 2018	9.0	3.9	27.8	1.7	0.9	2.3	45.6

The Group has not revalued any item of property, plant and equipment. Impairment of property, plant and equipment of £2.3m relates to the closure sites in the UK £1.6m, US £0.5m and Korea £0.2m (2018: £1.8m in Korea).

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

	2019 £m	2018 £m
Cost	**13.2**	0.6
Accumulated depreciation	**(0.6)**	(0.5)
Net book amount	**12.6**	0.1

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

15. Inventory

	2019 £m	2018 £m
Raw materials	**18.3**	14.0
Work in progress	**13.7**	8.3
Finished goods	**13.9**	12.7
	45.9	35.0

The material and overhead element of inventory recognised as an expense and included in the Income Statement amounted to £155.1m (2018: £143.7m).

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

16. Trade and other receivables

	2019 £m	2018 £m
Amounts due within one year:		
Trade receivables	**63.3**	54.5
Less: provisions for impairment	**(1.8)**	(2.2)
Trade receivables – net	**61.5**	52.3
Other debtors	**2.6**	2.0
Prepayments and accrued income	**5.1**	4.5
Total amounts due within one year	**69.2**	58.8

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

	2019 £m	2018 £m
Pounds Sterling	**15.6**	6.2
US Dollars	**31.9**	28.3
Euros	**17.2**	19.8
Other	**4.5**	4.5
	69.2	58.8

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

	2019 £m	2018 £m
Less than 1 month	**2.6**	1.2
Between 1 and 3 months	**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:

	2019 £m	2018 £m
Opening provision at 1 April 2018	**2.2**	2.8
Exchange differences	**–**	(0.1)
Provisions on acquisition	**–**	0.1
(Release)/Charge for the year	**(0.3)**	0.2
Receivables written off in the year	**(0.1)**	(0.8)
Closing provision at 31 March 2019	**1.8**	2.2

Included in the impairment provision are individually impaired trade receivables with a gross balance of £1.8m (2018: £2.2m). The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

Ageing of impaired trade receivables:

	2019 £m	2018 £m
Less than 1 month	**–**	1.5
Between 1 and 3 months	**1.3**	0.6
Greater than 3 months	**0.5**	0.1

17. Cash and cash equivalents

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

	2019 £m	2018 £m
Cash and cash equivalents	**10.8**	18.1

18. Trade and other payables

	2019 £m	2018 £m
Trade payables and trade accruals	**44.1**	39.8
Other taxes and social security	**4.4**	4.9
Other creditors	**10.0**	12.5
	58.5	57.2
Amounts due after more than one year:		
Trade and other payables	**0.6**	0.1

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

	2019 £m	2018 £m
Amounts due within one year:		
Pounds Sterling	**16.6**	15.5
US Dollars	**20.4**	19.0
Euros	**18.4**	19.7
Other	**3.1**	3.0
	58.5	57.2

	2019 £m	2018 £m
Amounts due after more than one year:		
US Dollars	**0.6**	–
Pounds Sterling	**–**	0.1
	0.6	0.1

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 88 days (2018: 87 days), stated using the non-labour element of cost of goods sold. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. Borrowings

	2019 £m	2018 £m
Amounts due within one year:		
Finance leases	**12.1**	0.1
Other loans	**0.1**	0.9
	12.2	1.0
Amounts due after more than one year:		
Bank loan	**54.7**	21.4
Finance leases	**0.1**	0.1
	54.8	21.5
Total borrowings	**67.0**	22.5

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
- 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 1.1%
- 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

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 2019 – Bank loans and overdrafts	**2.2%**
31 March 2018 – Bank loans and overdrafts	3.1%

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

	2019 £m	2018 £m
Pounds Sterling	**43.1**	–
US Dollars	**23.9**	22.5
	67.0	22.5

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 2019 there were no assets or liabilities recognised in the Balance Sheet relating to the fair values of forward foreign exchange contracts in place (2018: £Nil).

The Group has the following undrawn borrowing facilities:

	2019 £m	2018 £m
Bank loan (committed)	**15.3**	48.6

20. Provisions

	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 £m	Environmental £m	Total £m
At 1 April 2017	3.3	0.4	3.7
Additions in the year	5.3	–	5.3
Utilised in the year	(3.7)	(0.2)	(3.9)
At 31 March 2018	4.9	0.2	5.1
Analysis of provisions:			
Current	2.1	0.1	2.2
Non-current	2.8	0.1	2.9
At 31 March 2018	4.9	0.2	5.1

– Reorganisation and leasehold commitments

The £14.4m (2018: £4.9m) reorganisation and leasehold commitments provision relates to dilapidations for leasehold property of £2.3m (2018: £2.8m), £0.1m (2018: £0.1m) in relation to reorganisation costs, £10.2m relating to site closures in Korea, UK and US and £1.8m relating to acquisition provisions for BioMed Laboratories LLC and Systagenix Wound Management Manufacturing Ltd. The expected utilisation of these provisions ranges between one and three years.

– Contract liability provisions

The £32.2m (2018: £Nil) 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 of a number of sites in Europe of £0.1m (2018: £0.2m). The Group expects the majority of the spend against the environmental provisions to be incurred over the next three years.

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

All on continuing operations	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Operating profit	**16.8**	30.7
Adjustments for:		
Depreciation and amortisation	**13.7**	9.6
Profit on disposal of land and buildings	**–**	(6.9)
Exceptional pension GMP equalisation	**1.0**	–
Impairment of tangible fixed assets	**2.3**	1.8
Impairment of goodwill	**4.6**	–
Pensions payments in excess of charge	**(4.7)**	(4.4)
Share options charge	**1.0**	1.9
Grant income released	**–**	(0.1)
Changes in working capital:		
Inventories	**(3.2)**	(4.5)
Trade debtors	**(4.7)**	(2.0)
Trade creditors	**2.0**	8.0
Changes in trading working capital	**(5.9)**	1.5
Other debtors	**(1.0)**	(2.0)
Other creditors	**(4.6)**	(2.3)
Deferred consideration	**(6.8)**	(0.1)
Net movement in environmental provisions	**(0.1)**	(0.2)
Net movement in reorganisation and leasehold commitment provisions	**7.7**	1.6
Net movement in contract liability provision	**(3.6)**	–
Cash generated from operations	**20.4**	31.1
Cash generated from operations before exceptional items	**23.3**	34.7
Cash outflows from exceptional items	**(2.9)**	(3.6)
Cash generated from operations	**20.4**	31.1

Analysis of cash and cash equivalents and borrowings

	At 1 April 2018 £m	Cash flow £m	Exchange movement £m	Non-cash movement £m	**At 31 March 2019 £m**
Cash and cash equivalents	18.1	(7.9)	0.6	–	**10.8**
Borrowings within one year	(1.0)	(11.0)	(0.2)	–	**(12.2)**
Borrowings after more than one year	(20.9)	(31.5)	(1.8)	(0.1)	**(54.3)**
Total borrowings	(21.9)	(42.5)	(2.0)	(0.1)	**(66.5)**
Total	(3.8)	(50.4)	(1.4)	(0.1)	**(55.7)**