Scapa

Meeting the challenge

Scapa Group plc
Annual Report and Accounts 2019

Strengthening our position

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

Financial highlights – statutory measures

Group revenue (£m)

£311.8m

19	311.8
18	291.5
17	279.6
16	246.7
15	236.0

Operating profit (£m)

£16.8m

19	16.8
18	34.5
17	29.2
16	21.3
15	18.6

Profit before tax (£m)

£14.9m

19	14.9
18	28.8
17	21.8
16	9.8
15	13.7

Basic earnings per share (p)

5.3p

19	5.3
18	15.4
17	11.6
16	4.1
15	6.5

Dividend (p)

2.9p

19	2.9
18	2.4
17	2.0
16	1.75
15	1.5

Net debt (£m)

£55.7m

19	55.7
18	3.8
17	16.1
16	2.6
15	3.4

Financial highlights – adjusted measures

Trading profit (£m)

£38.2m

19	38.2
18	34.5
17	29.2
16	21.3
15	18.6

Adjusted earnings per share (p)

18.9p

19	18.9
18	18.2
17	14.8
16	10.6
15	9.1

Adjusted net debt (£m)

£43.7m

19	43.7
18	3.8
17	16.1
16	2.6
15	3.4

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Chairman's statement

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Chief Executive's review

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Read more at scapa.com/investors

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 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
- Net debt of £55.7m (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
- Adjusted net debt of £43.7m[4] (2018: £3.8m)
- Pension deficit significantly reduced to £8.4m (2018: £21.0m)
- Final dividend increased 20.8% to 2.9p (2018: 2.4p)

	2019 £m	2018 £m
Trading profit	**38.2**	34.5
Amortisation of intangible assets	**(6.0)**	(3.3)
Exceptional items	**(12.8)**	0.1
Acquisition costs	**(2.0)**	–
Pension administration costs	**(0.6)**	(0.6)
Operating profit	**16.8**	30.7

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

All alternative performance measures are defined on page 34

Expanding our business

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.

- Acquired the Gargrave, UK, facility to strengthen our R&D and innovation resources, global quality and regulatory services and sterilisation capabilities to address the market trend for outsource services beyond manufacturing.
- Signed a five-year exclusive manufacturing and supply agreement with Acelity L.P. Inc. for their advanced wound dressing portfolio manufactured in Gargrave.
- Invested in BioMed Laboratories capabilities to enhance our value proposition beyond skin adhesives and to deliver on increasing demand for wound care, ostomy and over-the-counter skin care solutions.
- Launched two unique technologies: a next-generation hydrocolloid technology and two private label skin care products to strengthen our product offering.

Locations

7

Number of employees

965

Read more on pages 10 and 18 to 20

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.

- Offering advanced material technology, Scapa sources the specific raw materials and components our global customers require for their innovative products.
- Global footprint with multiple production sites in Asia, Europe and North America, to address large and small customer needs across all of the industrial markets we serve.
- Single source supplier offering manufacturing capabilities for technical tape and adhesive system solutions.

Locations

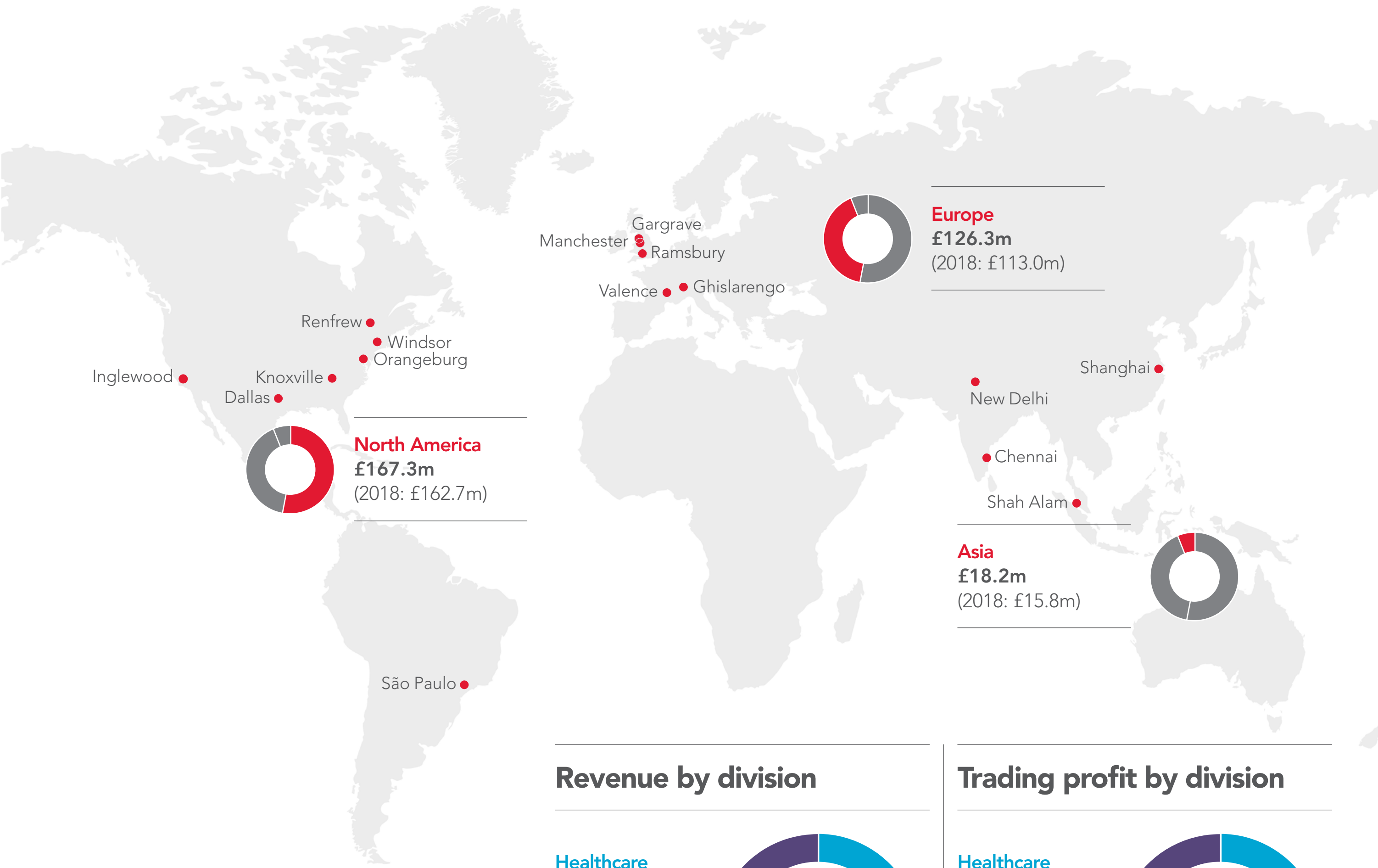
9

Number of employees

621

Read more on pages 11 and 21 to 23

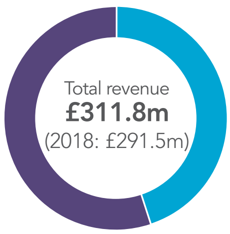
Revenue by geography



Revenue by division

Healthcare
£141.3m
(2018: £112.8m)

Industrial
£170.5m
(2018: £178.7m)



Trading profit by division

Healthcare
£20.9m
(2018: £17.4m)

Industrial
£22.3m
(2018: £22.5m)

* Trading profit for the Group is £38.2m after charging £5.0m (2018: £5.4m) of corporate costs

Why invest?

- By strengthening our position and expanding our business, we have a clear strategy and platform for growth.
- We have an experienced Leadership Team, with the right skills and experience to drive the business forward.
- With our technology transfer acquisition in Healthcare and ongoing portfolio optimisation in Industrial, we are global market leaders.
- We have a deep understanding of our core markets so we can anticipate tomorrow's customer needs.
- Our continued investment in R&D and our growing IP portfolio enable our customers to succeed in dynamic markets.
- We provide a full range of services to our customers through our global footprint and broad product portfolio.

Read more about our Business model and Strategy on pages 12 to 15

Building a strong platform for sustainable growth

"We have strengthened our position, expanded our business and built a strong platform for growth."

Highlights

- Further strengthened the Board with the appointment of a new CFO and three new Directors including two healthcare experts.
- Conducted an external review of the Board's effectiveness, which confirmed that the Board continues to function effectively as a whole and in Committee and that all Directors properly discharge their duties.
- A culture defined by The Scapa Way.

Larry Pentz
Chairman

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

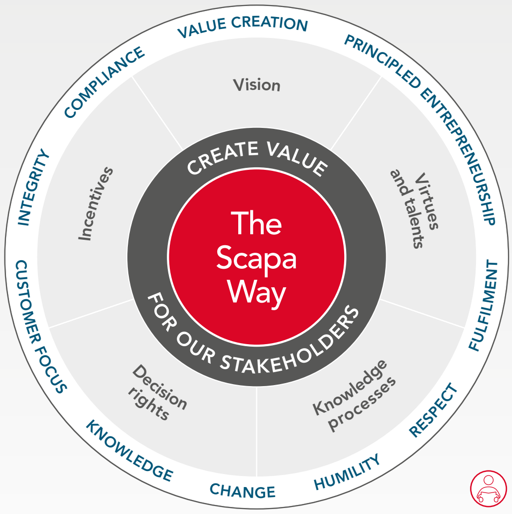
Statutory Group revenue increased 7.0% to £311.8m (2018: £291.5m) and revenue on a continuing basis[1] increased 5.7% to £308.2m (2018: £291.5m). Trading profit increased 10.7% to £38.2m (2018: £34.5m) and on a continuing basis was £34.6m (2018: £34.5m). On a constant currency basis[2], revenue on a 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.

The Scapa Way

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

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



Read more on page 39

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.

We also now announce that Heejae Chae has given notice of his intention to step down as Group Chief Executive. On behalf of the Board, I would like to thank Heejae for his excellent leadership and impressive contributions to Scapa since joining as Group Chief Executive in 2009. Under his leadership, the business has transformed financially and strategically. Scapa is a high-performing global organisation underpinned by an entrepreneurial culture which has delivered significant shareholder value. As a result, Scapa is financially stronger with a successful strategy and is well placed to deliver on its many future growth opportunities. We wish Heejae well when he eventually leaves us, after working through a smooth transition with his successor, a search and selection process for whom is underway.

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 IFRS 15 and this is excluded on a 'continuing' basis as it represents a non-cash item. This provision will be released on a straight-line basis over a five-year period, in line with the exclusive supply contract

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

3 Excluding temporary finance lease for Knoxville site

We have a clear strategic blueprint for both Healthcare and Industrial

"The Systagenix technology transfer was a transformative transaction for the Company. We now have two balanced businesses that are global and market leaders."

Highlights

- The acquisition, by way of a technology transfer, of the R&D and manufacturing assets of Systagenix, completes the Healthcare value chain and validates our strategy.
- Completion of the Knoxville purpose-built site, creating a Healthcare Centre of Excellence for North America.
- The Industrial business is fast approaching the target of 15.0% profit margin and is poised for growth.
- Refreshed and strengthened the team to continue to deliver.
- Crossed £300m revenue milestone and record trading profits delivered.

Heejae Chae
Group Chief Executive

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.

Meeting the challenge

Status Quo

The Healthcare industry is undergoing significant change. We have an opportunity to be a disruptive force in the market to provide a solution to our customers. Our goal is to expand our addressable market by enhancing our value chain and technologies. We will partner with our customers to continue to drive the technology transfers.

Read more on page 14

Sufficiency

We believe that the Industrial pressure sensitive material market is significant but mature, inefficient and complacent. As one of the largest and few companies with a global footprint, we have the potential to grow and gain market share. We will leverage our operational excellence to focus on niche areas where we have a competitive advantage.

Read more on page 14

Ourselves

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

Read more on page 15

Capital Markets Day, Gargrave

Read more on page 50

Executive Team

L–R: Sevan Demirdogen, Joe Doherty, Heejae Chae, Oskar Zahn, Sayoung Jung, Wendy Baker

Markets continued

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.

Read more on pages 10 to 11

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 competencies 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. It was a difficult decision to step away from my post as Group Chief Executive but I now feel it is the right time to bring in new leadership to deliver the next phase of our growth strategy.

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. I consider myself privileged to have worked with such esteemed colleagues and partners during my tenure. I remain committed to Scapa during this transition period and am confident that the business is poised to continue to deliver long-term sustainable growth from the current strategy.

H R Chae
Group Chief Executive
21 May 2019

Significant opportunities for growth

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

Healthcare

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

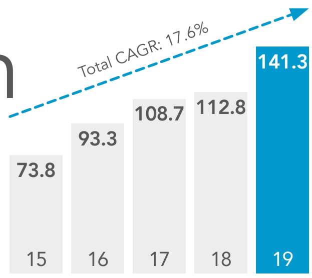
Our response
Scapa Healthcare's growth strategy is focused on acquiring innovative technologies and solutions that enhance not only our capabilities, but also our intellectual talent including R&D, engineering, project management, regulatory and quality. Our latest technology transfers strengthened our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

Market trend
Over the last decade the MedTech industry growth has slowed to single digits forcing leading global healthcare organisations to grow primarily through the consolidation of global brands. This strategy has created complex and inefficient manufacturing networks causing brands to rethink their in-house manufacturing strategy and look for ways to become more efficient.

Our response
Scapa Healthcare is a leading business to business manufacturer of medical devices. Through our acquisition and technology strategies, Scapa Healthcare has positioned itself as a trusted strategic outsource partner with expertise in manufacturing and operational excellence. Our core competencies allow our partners to leverage our global footprint and unique manufacturing capabilities to enhance their competitive position in the marketplace.

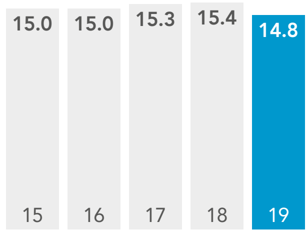
Revenue (£m)

£141.3m



Trading margin (%)

14.8%



Strategic report

Industrial

Market trend
The markets we support continue to require safer, temperature-resistant bonding solutions that are both compatible with next-generation materials and comply with increasingly stringent regulatory codes.

Our response
Leveraging an extensive library of proven chemistries, a global network of innovative material suppliers and an established manufacturing base, we continue to develop and launch industry-defining products including:

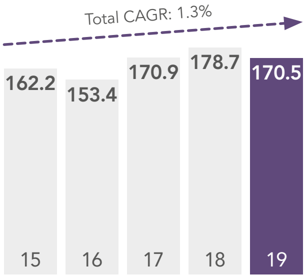
- Polyflex™ Plus FR100 – next-generation fire-retardant polyethylene that meets NFPA 701 and ASTM E84 requirements;
- Cable-wrapping range expansion – additional products that comply with the latest European Construction Products Regulation (CPR);
- Underwriters Laboratories (UL) listings – new qualifications across CPR products to support halogen-free requirements; and
- Polyflex™ Plus UVX10 – UV-resistant tape for longer application duration.

Market trend
To remain competitive, our customers require increasingly accelerated new product development, product availability and regional support.

Our response
Scapa India has become a model for responsive and nimble delivery by moving people and assets to the regions of greatest demand. As a result of our efforts we have more than tripled our business with the market-leading supplier of paints and accessories in India.

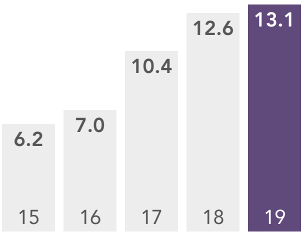
Revenue (£m)

£170.5m



Trading margin (%)

13.1%



Strengthening our position

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

Resources and relationships

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

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

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

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

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

The Scapa Way

Healthcare

Read more on pages 18 to 20

What we do
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.

Our targeted segments
- Advanced Wound Care
- Medical Device Fixation
- Consumer Wellness

Industrial

Read more on pages 21 to 23

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

Our targeted segments
- Automotive
- Construction
- Cable
- Consumer
- Specialty

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

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

Challenge the Status Quo

Challenge Ourselves

Challenge Sufficiency

Stakeholder values

Shareholders
Continue to drive overall profitability and create value.

18.9p

Adjusted earnings per share (2018: 18.2p)

Read more on page 35

Customers
Continue to increase customer satisfaction by increasing the number of orders that do not lead to a complaint.

97.6%

Customer satisfaction per order (2018: 97.4%)

Read more on page 17

Employees
Continue to protect our people by focusing on health and safety.

0.63

Lost time accident frequency rate (LTAFR) (2018: 0.97)

Read more on page 40

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

£74,852

Charitable contributions (2018: £91,145)

Read more on page 39

Our goal
To grow and gain market share in the niche markets where we have a competitive advantage.

How we will succeed
We will concentrate on core markets with differentiated application solutions, increasing revenue to our key customers by introducing additional products and technologies, as well as pursuing cross-selling opportunities in adjacent markets.

A strategy for growth

1

Challenge the Status Quo

The Healthcare industry is undergoing significant change. We have an opportunity to be a disruptive force in the market to provide a solution to our customers. Our goal is to expand our addressable market by enhancing our value chain and technologies. We will partner with our customers to continue to drive the technology transfers.

Priorities for 2019

We aimed to:

- acquire new capabilities from further technology transfers;
- integrate BioMed and invest for future growth in liquids, powders and gels; and
- continue to improve our Healthcare trading profit margins towards the stated medium-term target of 20%.

Progress in 2019

We have:

- acquired the R&D and manufacturing assets of Systagenix, transforming Scapa;
- integrated BioMed fully and begun further investment in systems, processes and infrastructure; and
- improved the Healthcare trading profit margin to 16.0% (2018: 15.4%), excluding Systagenix and BioMed.

Future priorities

We aim to:

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

2

Challenge Sufficiency

We believe that the Industrial pressure sensitive material market is significant but mature, inefficient and complacent. As one of the largest and few companies with a global footprint, we have the potential to grow and gain market share. We will leverage our operational excellence to focus on niche areas where we have a competitive advantage.

Priorities for 2019

We aimed to:

- continue the self-help strategy to improve trading profit margins and return on capital employed (ROCE);
- deliver operational synergies from the Markel acquisition; and
- focus on growth in niche areas where we have a competitive advantage.

Progress in 2019

We have:

- improved the Industrial trading profit margin to 13.3% (2018: 12.6%), excluding Markel;
- continued to focus on the integration of Markel into Windsor, US; further focus required to deliver the expected synergies; and
- concentrated on core markets with differentiated products and gained market share with our key customers.

Future priorities

We aim to:

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

3

Challenge Ourselves

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

Priorities for 2019

We aimed to:

- focus on the greater engagement of our people using tools we have developed;
- continue bringing in external talent with aligned entrepreneurial mindsets; and
- focus on succession planning, leveraging the internal capabilities that we are developing.

Progress in 2019

We have:

- completed an all-employee survey, held multiple town-hall and other meetings to increase the engagement with our employees;
- brought in new Presidents for Healthcare and Industrial, as well as a new CFO; and
- continued to work on succession planning; further work to be undertaken after several key positions were filled internally.

Future priorities

We aim to:

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

We measure our progress with key performance indicators

Read more on pages 16 to 17

Risk management and principal risks

Read more on pages 24 to 30

Measuring our strategic objectives

Financial measures

Return on sales (%)

12.3%

19	12.3
18	11.8
17	10.4
16	8.6
15	7.9

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

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

Why we measure Assess whether growth is sustainable and profitable.

Underlying cash flow from operations (£m)

£23.3m

19	23.3
18	34.7
17	32.7
16	19.0
15	18.3

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

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

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

Revenue growth (%)

7.0%

19	7.0
18	4.3
17	13.3
16	4.5
15	4.4

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

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

Why we measure Track the relative performance of our growth.

Adjusted return on capital employed (%)

15.8%

19	15.8
18	19.7
17	17.0
16	15.7
15	14.3

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

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

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

Adjusted earnings per share (p)

18.9p

19	18.9
18	18.2
17	14.8
16	10.6
15	9.1

Definition Adjusted earnings per share (EPS) 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.

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

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

Capital expenditure (£m)

£27.1m

19	27.1
18	6.4
17	8.3
16	9.7
15	7.5

Definition Purchase of property, plant and equipment in the year, excluding acquisitions.

Commentary To enable the Group to continue to grow and improve customer satisfaction, Scapa invests in maintaining and improving its existing plants and facilities. Capital expenditure is an indicator of investment in production capacity and development. The increase in 2019 relates to the investment in the new Knoxville facility.

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

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

Link to strategic priorities:

1 Challenge the Status Quo

2 Challenge Sufficiency

3 Challenge Ourselves

Read more on pages 14 to 15

Non-financial measures

Customer satisfaction per order (%)

97.6%

19	97.6
18	97.4
17	97.4
16	97.5
15	97.6

1 2 3

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

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

Why we measure Track the performance in customer relationships.

Lost time accident frequency rate (LTAFR)

0.63

19	0.63
18	0.97
17	1.03
16	1.59
15	1.20

1 2 3

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

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

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

Service performance (%)

81.0%

19	81.0
18	81.3
17	87.1
16	87.2
15	88.3

1 2 3

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

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

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

Capacity utilisation (%)

49.8%

19	49.8
18	67.3
17	62.6
16	61.5
15	61.6

1 2 3

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

Commentary Managing capacity allows us to be responsive to customer needs by balancing cost efficiency and flexibility of production. We can simplify engagement with our customers by offering a balanced portfolio of available capacity across the globe. Gargrave's low utilisation has impacted overall production. This is expected to improve going forward.

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

We have positioned ourselves to lead as a trusted strategic outsource partner

"We continue to strengthen our portfolio of technologies and solutions to support our customers and deliver innovative products to market faster than they can do themselves."

Highlights

- Acquired the Gargrave, UK, facility to strengthen our R&D and innovation resources, global quality and regulatory services and sterilisation capabilities to address the market trend for outsource services beyond manufacturing.
- Invested in BioMed Laboratories' capabilities, based in Dallas, Texas, to enhance our value proposition beyond skin adhesives and to deliver on increasing demand for wound care, ostomy and over-the-counter skin care solutions.
- Introduced two unique technologies: a next-generation hydrocolloid technology and two skin care products for advanced wound care and consumer applications to strengthen our product offering.
- Completed a new built-for-purpose manufacturing facility, on time and within budget, in Knoxville, Tennessee.
- Initiated an operational footprint consolidation programme.

Joe Doherty
Healthcare President

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.

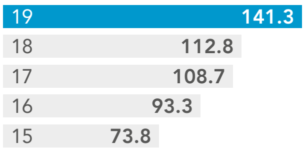
We have continued to invest in the business and find innovative solutions to strengthen our position as our customers' preferred outsource partner.

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.

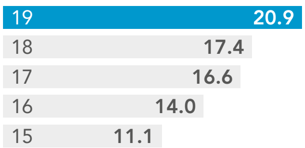
Revenue (£m)[1]

£141.3m



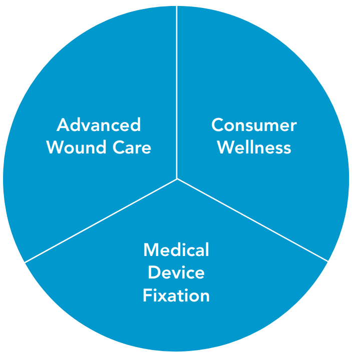
Trading profit (£m)[1]

£20.9m



1 On a continuing basis revenue is £137.7m and trading profit is £17.3m

Our targeted segments



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.

Strategy continued

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.

J Doherty
Healthcare President
21 May 2019

Case study: Leveraging BioMed's capabilities for rapid speed to market

The problem A long-term global consumer customer sought a strategic partnership to develop and manufacture a new over-the-counter product beyond our adhesive coverage for the US market.

The challenge was to formulate and introduce a new topical personal care product to market in nine months. We expedited design and development processes so our partner could deliver a differentiated solution within the timeframe.

Our solution Our research and development team at the Dallas site developed a unique formulation with an FDA OTC (over-the-counter) monograph active ingredient in less than a month. Upon completion of the formulation development work and packaging concept, a prototype was presented to the customer for review. The customer was satisfied with both the formulation and the proposed packaging, which will allow for easy application.

The result was the delivery of an innovative product that will be available to consumers in Spring 2019 throughout the US with a national retail chain. The partnership continues to flourish and evolve as both teams work on upgrades and new programmes for future line extensions.

Stay up to date at scapahealthcare.com

Scapa Industrial continues its journey to industry average margins

"Continued emphasis on return on assets to improve shareholder return."

Highlights

- Continued focus on ROCE efforts and cost-to-serve optimisation delivered good profits.
- Received 20 new Automotive OEM approvals, including first electric vehicle platforms in China.
- Opened a new, best-in-class manufacturing site in Chennai, India, to support Consumer and Automotive markets.
- Scapa cable materials approved in large infrastructure programmes including Ostwind 2, Crete/Greece Interconnector and Hornsea 2.
- Delivered record growth in cable water-blocking products in North America as a result of the ongoing broadband expansion and 5G implementation.
- Launched multiple new products under our flagship Polyflex™ and Barnier® brands.
- Delivered record revenue growth across the global Consumer portfolio.

Sevan Demirdogen
President & Executive Vice-President

Overview

The Industrial business unit continues on its journey of improving shareholder return. Despite lower revenues due to strong end market headwinds, particularly in the 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) is 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.

Revenue (£m)

£170.5m

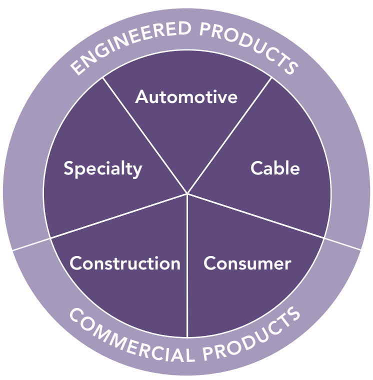
19	170.5
18	178.7
17	170.9
16	153.4
15	162.2

Trading profit (£m)

£22.3m

19	22.3
18	22.5
17	17.8
16	10.7
15	10.0

Our targeted segments



Markets continued

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.

S Demirdogen
President & Executive Vice-President
21 May 2019

Case study: India

In May 2018, Scapa Industrial celebrated the inauguration of its new, purpose-built facility in Chennai, India.

The opening of the new site is the latest milestone in Scapa's ongoing and successful growth journey and reflects Scapa Group's commitment to provide world-class manufacturing regionally for our global strategic partners.

Scapa India began in 2011, where two employees in a 100 square foot office delivered £400k in revenue. In the following seven years, the manufacturing footprint and capabilities expanded to meet regional customer demand for rapid service and support across all of our key segments.

Today, Scapa is the second largest tape manufacturer in India with revenue of over £10.0m, making it one of the fastest growing sites within the Scapa Group. The new, best-in-class facility provides 36,000 square feet of conversion capability to support near and long-term growth for our expanding customer base in the Asia Pacific region and houses manufacturing, development and testing capabilities.

Looking ahead, Scapa India remains committed to delivering market-leading capability in the region. Adhesive coating to support our Automotive and Consumer segments will be operational within the year, complemented by the opening of a new conversion and warehousing site in New Delhi to support increased regional demand.

The challenge presented to 'Deliver new, nimble capabilities and products to a diverse base of clients and applications' is the challenge we will continue to accept and exceed.

Stay up to date at scapaindustrial.com

Our approach to risk management

	Top down **Strategic risk management**	Bottom up **Operational risk management**
Board and Audit and Risk Committee	Provision of guidance on the Group's approach and establishing parameters for decision-making Identification, review and management of identified Group strategic risks and associated actions Ongoing consideration of environmental risks Setting the risk appetite of the Group	Assessing the effectiveness of the risk management processes adopted across the Group Challenging the content of the strategic risk registers to facilitate the documentation of comprehensive and balanced assessment of risk Reporting on the principal risks and uncertainties of the Group
Executive and Leadership Teams	Directing delivery of the Group's identified actions associated with managing risk Identification and monitoring of the key risk indicators and taking timely action where appropriate	Responsible for reviewing the completeness and consistency of the operational risk registers across business units and the Group Challenging the appropriateness and adequacy of proposed action plans to mitigate risk Analysing and giving consideration to the aggregation of risk across the Group Provision of cross-functional/business unit resource to effectively mitigate risk where appropriate
Business units	Execution of the delivery of the Group's identified actions associated with managing risk Timely reporting on the implementation and progress of agreed action plans Provision of key risk indicator updates	Identification and reporting of strategic risks to the Board Provision of reports and data relating to significant emerging risks to the Group (internal and external) Implementation of a risk management approach which promotes the ongoing identification, evaluation, prioritisation, mitigation and monitoring of operational risk Identification, evaluation, prioritisation, mitigation and monitoring of operational risks which are the responsibility of each subsidiary company Identification of strategic risks which are reported to the Group

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

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

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

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

Bottom up – by engaging with our people, listening to their views and recognising their contribution. In addition, we have a robust and effective whistleblowing procedure to highlight issues such as potential wrongdoing or risks that are not being managed.

Risk management model

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

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

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

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

Identify

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

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

Assess

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

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

Address

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

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

Transfer – use third party expertise to mitigate against risk.

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

Terminate – exit the activity.

Monitor

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

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

Internal control

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

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

Our internal control framework consists of the following key components:

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

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

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

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

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

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

Financial reporting follows generally accepted accounting practice in all areas.

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

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

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

Risk and control reporting structure

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

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

Internally, we operate 'three lines of defence':

First line – establish and embed policies and procedures.

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

Third line – independent challenge and assurance.

Strong risk management systems support the strategy for growth

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

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Strategic risks and definitions				
Economic and political				
Political and economic uncertainty, e.g. Brexit and trade relations, which affects market and financial stability	• Detrimental impact on business performance	• Regular risk assessment completed on macro-economic impact on key business areas, e.g. Supply Chain, Tax and People • Geographic and sector diversity means the Group maintains a largely natural transactional currency hedge with the main exposure being translation. A Brexit policy was recently approved by the Board • Authorised Economic Operator status in place for key freight providers (UK) • Implementation of a regional alternative dual-sourcing strategy for key suppliers	Increase in risk	1 2 3
Business strategy				
The Board develops the wrong strategy or fails to implement the strategy effectively	• Negative impact on long-term growth prospects	• Clear strategy in place which is reviewed by the Board on a regular basis • Progress against the strategy is monitored by senior management and the Board on an ongoing basis • Risks related to strategy are reviewed regularly by the Audit and Risk Committee and Board • Gargrave acquisition delivers strategic advantage through innovation, access to new markets and new product categories	No change in risk	1 2 3
Acquisitions and disposals				
Poor decision-making on organisational restructuring	• Adversely affects the Group's position and prospects, weakening shareholder value	• Significant internal and external due diligence processes • Acquisitions and disposals approved by the Board • Monitoring of business portfolio and structure at senior management and Board level • Integration planning for acquisitions across Finance, Operations, IT, HR and Commercial functions	No change in risk	3

Risk movement: Increase in risk Decrease in risk No change in risk New risk

Link to strategic priorities: 1 Challenge the Status Quo 2 Challenge Sufficiency 3 Challenge Ourselves

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Financial risks and definitions				
Financial and treasury				
Unavailability and cost of funding, and foreign exchange	• The Company does not have access to sufficient funds to permit trading as a going concern	• Access to committed facility of £70m providing sufficient headroom and capability, plus accordion of £30m (undrawn) • All treasury policies Board approved • Day-to-day currency exposure is largely naturally hedged. The Company may consider hedging instruments for specific transactions as they arise	Decrease in risk	3
Pensions				
Liabilities increase due to increasing life expectancy, inflation and poor performance in investments compounded by fluctuations in the discount rate	• The pension liabilities and associated cash requirements have a material adverse impact on the Group's cash flows	• No final salary pension schemes are open in the Group • Active and ongoing liability management programme, including long-term funding agreements • All asset investments managed by professional fund managers • Asset portfolio is diverse and spreads risk and return across multiple investment types and across various global territories • Pensions risk assessment completed by independent experts • Joint working party and advisers with Trustee • Favourable experience gains per latest triennial valuation resulting in significant decrease in liability	No change in risk	3
Market risks and definitions				
Customers				
Over-reliance on specific customers or markets	• Places pressures on pricing, margins and profitability	• Diverse range of sectors and customers; no specific weight towards one • Business strategy, including acquisitions and disposals, tailored to reduce reliance on cyclical markets and increase customer base • Move to inception-to-delivery development and manufacturing services provides greater diversification in Healthcare • Multi-year contracts are in place with key customers • Extensive upfront customer risk assessment and robust credit management systems employed • Close monitoring of market intelligence • Established sales generation and monitoring systems provide visibility of the pipeline	No change in risk	1 2 3

Risk movement: Increase in risk · Decrease in risk · No change in risk · New risk

Link to strategic priorities: 1 Challenge the Status Quo · 2 Challenge Sufficiency · 3 Challenge Ourselves

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Operations risks and definitions				
Suppliers				
Over-reliance on specific suppliers	• Supplier failure or discontinuation of key raw material products has a detrimental impact on business performance	• Dual sourcing based on regional alternatives • Rolling programme of key supplier audits • Proactive management and monitoring of suppliers using Supplier Performance Improvement and Requirements Evaluation (SPIRE) initiative • Advanced purchasing of raw materials when relationship dynamic changes are identified	New risk	1 2 3
Plant and equipment				
Equipment failure	• Inability to meet customer demand impacts business performance and reduces customer confidence	• Preventative scheduled shutdown and maintenance programmes are in place • Capital investment budget includes parts and spares	New risk	1 2
Human resources				
Failure to attract and retain people with the right virtues and talents to sustain and grow our business	• Inability to achieve our business objectives of sustainable growth • Loss of skills, knowledge and experience	• Global performance management system in place at major sites • Performance-related incentive schemes in place across the business • Global Reward, Compensation and Benefits Manager to manage global reward and incentive linked to overall business strategy • Roll-out of talent and succession planning programme • Standardised recruitment processes in place across the Group • Third party benchmarking of reward • Continued roll-out and refresh of The Scapa Way to embed the right behaviours	Increase in risk	3
Technology				
ICT systems and business infrastructure failure and/or broader business interruption	• Significant disruption to direct manufacturing and support processes	• Business continuity and disaster recovery processes in place at major sites • Annual disaster recovery test for core systems • Multi-site remote back-up of electronic data • Fallover/standby solutions give additional core systems resilience • Security and segregation built into e-commerce system architecture to minimise exposure • Rigorous IT governance model • Ongoing review of cyber security, data protection procedures, policies and assurance • Cyber awareness training rolled out across the Group • Group-wide business interruption insurance in place	No change in risk	3

Risk movement: Increase in risk Decrease in risk No change in risk New risk

Link to strategic priorities: 1 Challenge the Status Quo 2 Challenge Sufficiency 3 Challenge Ourselves

Risk	Impact	Mitigation	Risk movement	Link to strategic priorities
Regulatory and compliance risks and definitions				
Product quality				
Products do not meet the required quality and/or health and safety standards	• Poor financial performance due to customer returns and product liability claims, ultimately affecting customer trust in Scapa as a supplier	• ISO 9001 in place at all key sites • The Healthcare sites; Dunstable, Gargrave, Inglewood, Knoxville, Ramsbury, Orangeburg and Windsor, are accredited to ISO 13485 • Local quality control teams at all sites • Contractual arrangements with key suppliers include quality metrics • Internal quality audit processes are in place with issue resolution tracking • In-process and final product quality checks are performed to ensure compliance • Customer quality requirements clearly identified with regular customer audits • Recall insurance in place for Healthcare and Automotive • Increased recruitment of regulatory and quality specialists across the Group	No change in risk	1 2 3
Health and safety				
Failure to ensure safe working practices	• Significant injury or loss of life • Reputational damage associated with accidents and injuries resulting in customer disassociation with Scapa • Financial loss associated with lost working time and remediation	• Global Health and Safety policy and standards in place • Ongoing development of policies and training programmes • Safety management system development • Regular audits and work with external accredited agencies to ISO 14001 and 18001 globally • Actively using risk mapping mechanisms to influence EHS capital expenditure to manage our risks	No change in risk	1 2 3
Environment				
Failure to mitigate environmental impact	• Reputational damage • Financial loss associated with clean-up, fines and sanctions	• ISO 14001 in most sites, with a plan in place to certify the remaining significant sites • Conduct regular internal reviews of environmental aspects and impacts • Training provided to site management and employees • Enforcement and surveillance visits by third parties	No change in risk	1 2 3

Risk movement: Increase in risk · Decrease in risk · No change in risk · New risk

Link to strategic priorities: 1 Challenge the Status Quo · 2 Challenge Sufficiency · 3 Challenge Ourselves

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code (commonly referred to as the longer-term viability statement) the Directors are required to assess the prospects of the Group over a longer period than the twelve months required by the 'Going Concern' provision.

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

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

Principal risks

During 2018/19, the Board has continued to assess and monitor the principal risks of the business. This includes those risks (financial, operational and compliance) which would impact on the Group's strategy to achieve long-term profitable growth, taking account of global economic and political volatility (e.g. Brexit). The principal risks have been categorised into:

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

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

More details on the processes adopted are provided in the Risk Management section of the Strategic Report in the Annual Report and Accounts.

Current position and prospects

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

The Directors' assessment has been made with reference to the Group's current position, prospects and balance sheet strength, the Group's strategy and the Group's principal risks, and how these are managed, as detailed in the Strategic Report.

Another year of strong financial performance

"Another impressive year for the business with record trading results."

Highlights

- Group revenue increased 7.0% to £311.8m.
- Trading profit up 10.7% to £38.2m.
- Group operating profit of £16.8m; the reduction is largely as a result of several business reorganisation and site closure projects.
- EBITDA up 12.5% to £45.9m.
- Transformative Healthcare acquisition of Systagenix completed in October 2018.
- Increase in final dividend of 20.8% to 2.9p.
- Adjusted net debt of £43.7m[1] (2018: £3.8m) following acquisition cash consideration of £34.0m.

Oskar Zahn
Chief Financial Officer

Dear shareholder

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 are set out on pages 85 to 91.

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 statutory 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 and 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 margin improvement to 16.0% (2018: 15.4%).

Industrial trading profit of £22.3m (2018: £22.5m) was 0.9% lower. The 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[2] (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.

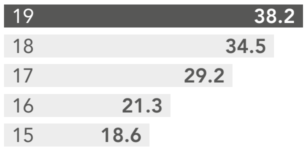
A charge of £1.0m related to the potential increase in the UK defined benefit pension scheme liabilities following the recent court judgement regarding the equalisation of pension scheme benefits in relation to Guaranteed Minimum Pensions (GMPs). This judgement affects all UK relevant schemes and confirms 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.

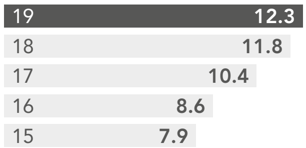
Trading profit (£m)

£38.2m



Trading profit margin (%)

12.3%



1 Excluding temporary finance lease for Knoxville site

2 Trading profit less cash interest

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 (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

Alternative performance measures – definitions

- **Constant currency:** prior year results translated at current year's average exchange rates.
- **Trading profit:** profit before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs.
- **Continuing basis:** Group results before the impact of IFRS 15 provision release for the Systagenix acquisition.
- **Net debt:** cash and cash equivalents net of borrowings and unamortised debt issue costs.
- **Adjusted net debt:** as net debt but excluding the Knoxville finance lease for the new facility.
- **Trading profit margin:** this is trading profit divided by sales.
- **Organic underlying results:** this excludes the impact of acquisitions within the reporting period.
- **Adjusted earnings per share:** EPS using trading profit after tax and reconciled in note 10 on page 98 of the accounts.
- **Adjusted effective tax rate:** tax on trading activities divided by trading profit less cash interest.
- **EBITDA:** trading profit before depreciation.
- **Adjusted profit before tax:** trading profit before cash interest.

Exceptional and non-trading adjusted items continued

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 on the previous page in the reconciliation between trading profit and operating 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 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.

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

Case study: Cash management

The Group's capital allocation strategy is to maintain a strong Balance Sheet whilst delivering good cash generation.

The Group's sources of funding currently comprise operating cash flow, access to substantial committed bank facilities from a banking syndicate and access to global markets. The Group is highly cash-generative and works within the following framework for capital allocation:

- capital investment in organic growth projects and centre of excellence consolidation opportunities;
- selective acquisitions – target both bolt-on and technical transfer acquisition opportunities to further grow the business;
- R&D and NPD – increase research and development and new product development; and
- ordinary dividends – grow the dividend cover to our shareholders.

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.

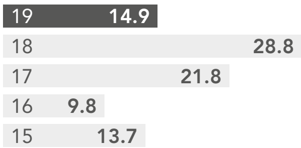
Risk management and the year ahead

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 all of the above factors in its review of going concern and has been able to conclude the review satisfactorily.

O Zahn
Chief Financial Officer
21 May 2019

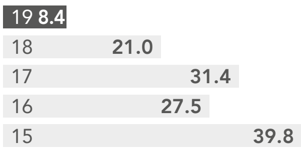
Profit before tax (£m)

£14.9m

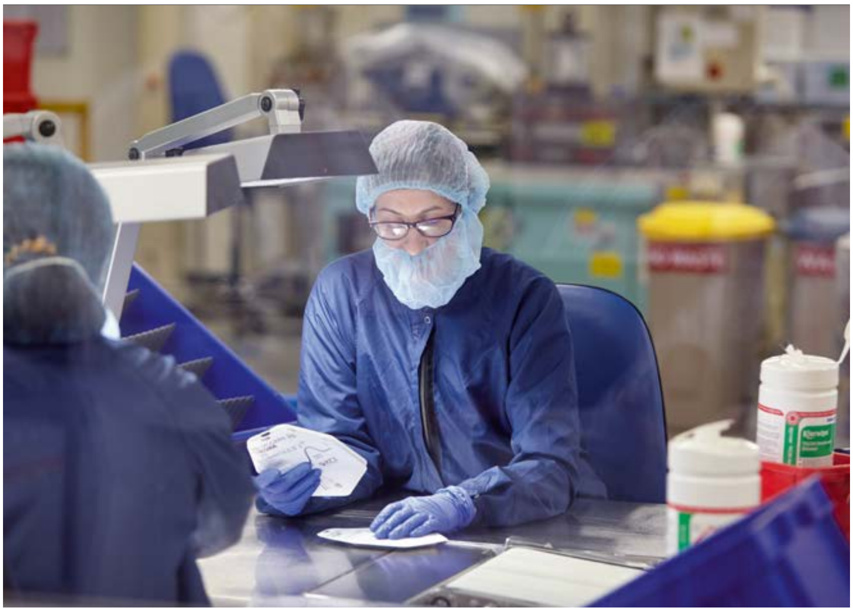


Pension deficit (£m)

£8.4m



Continuing to drive employee engagement is crucial to our sustained success



Engagement for success

Our employees are key to our success. Characterised by their entrepreneurial spirit and ability to adapt to change, our people are passionate, committed and determined. Their virtues and talents have been fundamental to our growth. This year we launched the first Global Engagement Survey and received a 57% response rate. The survey covered various aspects from job satisfaction and career development, to health and wellbeing. The results of the survey will help us to identify where we need to focus our efforts to continuously improve and in addition will allow us to design and refine programmes across the business. This survey will be completed annually to monitor our progress and to ensure our employees' voices are heard.

For the fourth year running, the Code of Conduct training was completed by 100% of employees across the Group. Our Code of Conduct outlines the Company's standards of behaviour and provides a valuable tool for employees across the globe to assess and manage risks while protecting and enhancing the Company's reputation.

The number of employees benefiting from our online performance management system increased by 26%. This was achieved through further development of our internal performance management system. Moreover, advancements in the system will allow us to quickly integrate new acquisitions by aligning the performance objectives and expectations quickly and transparently.

Non-financial information statement

Scapa Group plc has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. This can be found as follows:

- Scapa Group plc's business model is on **pages 12 to 13**.
- Information regarding the following matters, including policies, the due diligence process implemented in pursuance of the policies and the outcomes of those policies, can be found on the following pages:
  - environmental matters on **pages 40 to 41**;
  - employees on **page 73**;
  - social matters on **pages 36 to 39**;
  - respect for human rights on **page 42**; and
  - anti-corruption and anti-bribery matters on **page 73**.
- Where principal risks have been identified in relation to any of the matters listed above, these can be found on **pages 27 to 30**, including a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.
- All key performance indicators of the Group, including those non-financial indicators, are on **pages 16 to 17**.
- The Operational review section on **pages 18 to 23** includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

Case study: CEO Awards

Our annual CEO Awards recognition scheme encourages teams from across the Group to submit examples from throughout the year of work that excels in one of our four categories: Compliance, Change, Customer Focus and Entrepreneurship.

The global award for 2018 was awarded to the team in Chennai, India, which celebrated an extraordinary growth story since 2011. Balaji Balasundaram, General Manager, India, summarised the journey as follows:

"When we started our journey in 2011 our annual revenue was £400k. We knew that Scapa products were unique and that the market within India would value and grow with these products. Through 2013 we focused on finding the right customers who needed better, regional solutions and won customers like Renault–Nissan and Ericsson, growing our revenue to £1.5m.

Then came the Asian Paints opportunity. Asian Paints is the largest paint manufacturer in India with revenue of over £1.5bn and an aggressive plan to add new products and innovation to their product line. They are the largest paint manufacturer in South Asia and the fifth largest in the world with 70% market share and approximately 50,000 dealers in India. When they approached Scapa India they were looking for key partners to supply masking and technical tapes to complement their paint products and visited key tape competitors. Although Scapa India was smaller in size, we were able to impress their key team members and, after extensive deliberations, they chose us to be their partner. Why? Because Scapa India has a reputation for high-quality products with an entrepreneurial approach to servicing our customers. Across all of our customers we are able to supply premium product and a competitive price rapidly and at high volume.

Since 2013 we have been producing Asian Paint's branded masking line. To support their growth we have developed a supply chain crossing Malaysia, Indonesia and China. We have faced challenges – quality, volume changes, pricing pressure – and overcome all of them successfully. The volume continues to grow month on month. Over the past year we tripled our monthly output, built a new factory and expanded a portfolio of new products for launch over the coming twelve months. We have done this while improving our margins, creating a nimble supply chain and building the flexible infrastructure to support Scapa Group opportunities in the rest of Asia. The Asian Paints story is just the start of what we will do through embracing our entrepreneurial spirit."

100%
of employees trained in our Code of Conduct

100%
completion of performance management records in 2018/19

90%
of employees access online training resources

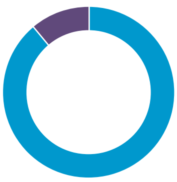
94
online training courses in the Scapa Academy; 17 added during 2018/19

Gender diversity

Board

Male (8)

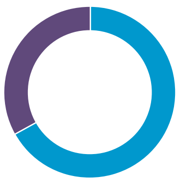
Female (1)



Executive Team

Male (4)

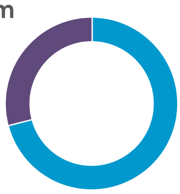
Female (2)



Leadership Team

Male (25)

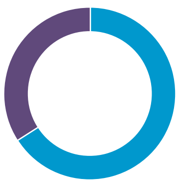
Female (10)



All staff

Male (981)

Female (638)



Growing potential

We have every confidence in the potential of our people. We firmly believe that the achievement of our goals depends significantly on our ability to create a dynamic and agile workplace where people can achieve their potential and where their strengths are effectively utilised and developed.

We believe talent is the combination of performance, engagement and potential. Our Talent Management programme is the tool to ensure we identify, develop and grow our talent pool across our leadership population. It is a valuable framework utilised by our teams across the globe to define their talent agenda.

This year saw an additional 34 employees taking part in various talent development actions throughout the year. The Harvard ManageMentor® programme continues to be central to our development efforts. This year three commercial leaders successfully completed a tailored development plan focused on enhancing our capability to serve our customers, which will be replicated across the commercial teams in the coming year.

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

We continue to build our learning capability by adding 17 new learning modules to our existing offering, bringing the numbers of modules available through our online learning system 'The Scapa Academy' to 94, and delivering over 1,000 hours of online training, maintaining our employee access retention at 90%. Additional effort is being placed in replacing face-to-face training with online training, where appropriate, to optimise the use of resources and simplify the tracking of training.

Entrepreneurship through engagement

We continue to drive an entrepreneurial culture across the business through The Scapa Way, our global programme that sets the guidelines to create a work environment where people can take ownership for their work and create value for our stakeholders in a principled way. The results of the global engagement survey will help us to continue to develop The Scapa Way by setting specific targets and goals for different areas of the business and monitoring our progress.

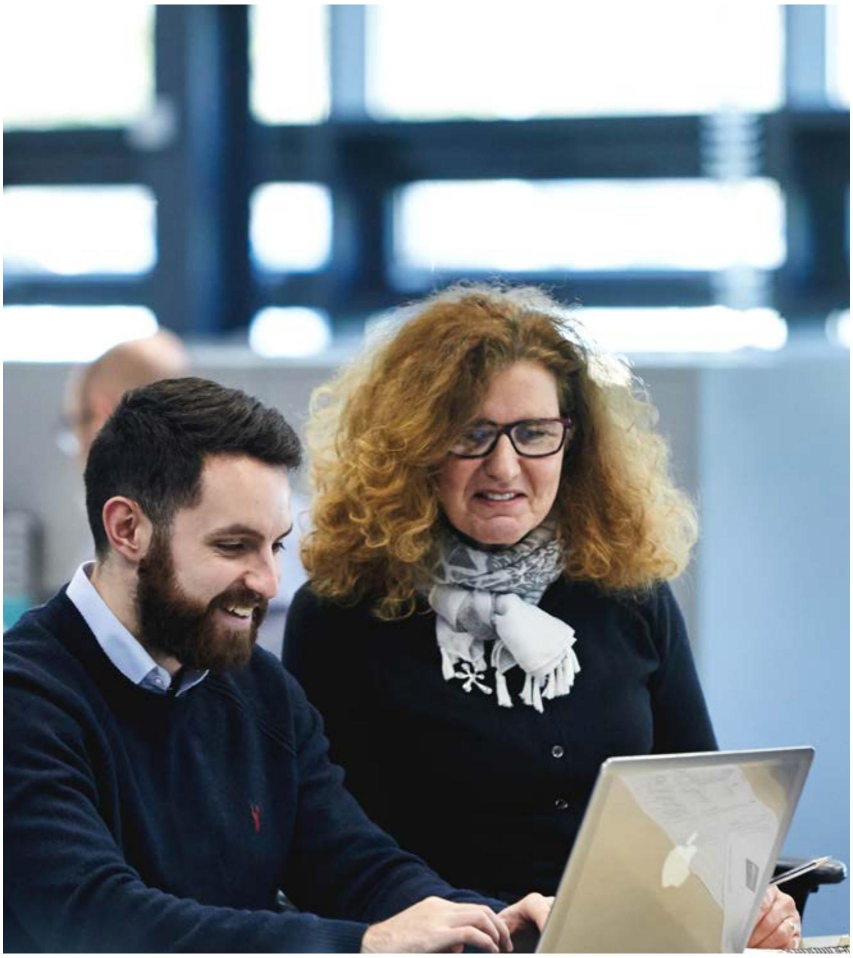
We understand the value of recognition and that is why we continue to drive the 'Living our Guiding Principles' recognition scheme throughout the business. This programme encourages all employees to recognise peers and teams for demonstrating behaviours aligned to The Scapa Way. The awards allow for different levels of recognition to ensure outstanding performance is identified and rewarded. During the last year 188 employees were recognised using this scheme.

Creating value in our communities

With a far-reaching footprint, we aim and are able to create value in our local communities, and continuously challenge ourselves to find new ways of supporting local initiatives.

Our team in Renfrew supports the Renfrew Victoria Hospital Foundation in Canada. Since May 2014, the team has contributed towards the 'I Choose RVH' campaign, which is dedicated to the major redevelopment and expansion of the community hospital. Scapa pledged to raise CAD$300,000, made up of employee contributions and Company matched funds. Employees committed to raising CAD$50,000 for the cause over a five-year period through voluntary payroll deductions. As at 31 March 2019 they had achieved CAD$45,500.

In addition to the above, Scapa has contributed to a number of causes during the year, including Boston Children's Hospital and the Juvenile Diabetes Research Foundation.



Health, safety and environmental (HSE)

Scapa recognises that to be successful in our chosen markets, health, safety and environmental priorities in the workplace, in our procurement and to our visitors and contractors, continue to be of the highest importance. This extends to everyone carrying out work on our behalf.

Complying with applicable legislation is one of our key Guiding Principles and we often exceed legislative requirements; if we have a higher standard in one country, we apply it in other parts of the world.

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

Performance

Our achievements over the last year include:

- continued employee involvement across the whole organisation;
- further developing Safety Health Improvement Plans (SHIPs) to minimise operational risks; and
- strengthening our processes and systems for identifying and complying with global legislation.

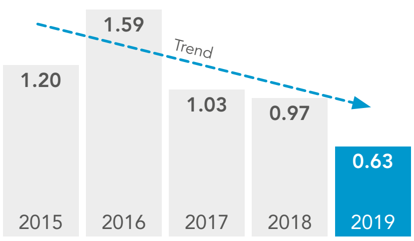
Although improvement has been achieved and sustained, we believe the HSE continuous improvement cycle is a journey. Initiatives to improve involvement and accountability will continue over the coming years to help us to further reduce our risk profile in HSE.

Headline achievements

- Reduced our lost time accident frequency rate to 0.63 from 0.97, a 35% reduction.
- Identified over 5,600 safety opportunities.
- Closed out over 5,000 actions raised from safety opportunities.
- Knoxville surpassed 1,000,000 hours without a lost time incident.

Lost time accident frequency rate

2015–2019 LTAFR



- Windsor surpassed one year without a lost time incident.
- Ashton has achieved over 555 days without a lost time accident.
- Launched a new Global HSE policy.
- Developed and launched new global safety standards.
- Invested circa £1m in HSE improvements.

Our lost time accident frequency rate has finished the year at 0.63 against a previous year of 0.97, which is a reduction of 35%. We recognise that the accident rate is only part of the journey in ensuring accidents are not repeated and lessons are learnt from them. We also recognise that correct management of safety risks and hazards arising from our activities which are properly addressed, and working with all our employees, is the best way to ensure good safety practices.

Environment

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

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

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

We measure our utility consumption monthly via our SHIPs and, wherever feasible, use mechanisms and technology to reduce our carbon impact.

What we have done

- We have improved our energy utilisation by 5.8%.
- We encourage local recycling of metals, wood, cardboard, plastics and paper.
- We measure, monitor and set targets for our emissions annually.
- We encourage adoption of ISO 14001 to standardise environmental systems.
- We provide environmental-specific training to employees.
- We comply with environmental safety laws globally.

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

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

- electricity, gas and fuel used for heating which generates greenhouse gas;
- use of natural resources; and
- disposal of waste.

The following assumptions, methodology, definitions and data validation processes have been used to report the Group's key environmental performance indicators in 2018/19. The reported data complies with the Companies Act, for the mandatory reporting of greenhouse gases:

- **Boundary scope:** data from all locations over which the Company has operational control is collected and measured.
- **Primary data sources:** these include billing, invoices and other systems provided by the supplier of the energy to communicate energy consumption.
- **Secondary data sources:** these include the Company's internal systems used to record and report the above consumption data.
- **Internal data validation:** the process used to review and compare primary data with secondary data.
- **Conversion factors:** the 2016 Government GHG Conversion Factors for Company Reporting, published by the UK Department for Environment, Food & Rural Affairs (DEFRA), are used when converting gross emissions. The applicable country conversion factors published in this guidance have been applied to operations outside of the UK.
- **Intensity metrics:** total carbon emission per £m of revenue is used to calculate the Company's intensity metrics.

Environmental performance

	Tonnes of CO_2e (gross)		
	2017	2018	2019
Scope 1	13,008	12,984	**12,765**
Scope 2	18,915	18,746	**18,667**
Total gross emissions	31,923	31,730	**31,432**
Total carbon emissions per £m revenue	114	109	**101**

Reduction in carbon emissions per £m revenue

7.3%

Supply chain corporate responsibility

We have a robust framework of corporate responsibility policies, including our Human Rights policy, our Code of Conduct and sustainability approach.

The roll-out of 'SPIRE' (Supplier Performance Improvement & Requirements Evaluation) continues as we look to reinforce and supplement Scapa's existing procedures and best practice methods of supplier evaluation. The global procurement and quality teams have adopted a consistent, robust, documented and interactive supplier evaluation, selection and ongoing assessment approach which includes detailed due diligence and supplier certification in respect of many compliance issues including slavery and human trafficking. Subsequent disclosure statements will include an update of the SPIRE project and the effect of its use throughout the business.

Human rights

We define human rights as basic rights that allow individuals the freedom to lead a dignified life, free from fear or want, and free to express independent beliefs.

We acknowledge the responsibility of businesses to respect human rights, by acting with due diligence to avoid infringing on the rights of others and to address any adverse impacts in which they are involved, in line with the UN Guiding Principles on Business and Human Rights (the Ruggie Framework).

Our aim is to ensure that we adhere to international human rights standards, both through our own actions and by association with business partners and suppliers, by providing a framework of fundamental principles of human rights by which Scapa will be guided in the conduct of its business. Scapa sources materials (including fabrics, paper, rubber, films and chemicals) from a wide variety of suppliers around the world that range from large international organisations to specialist local companies.

Scapa has made a disclosure in accordance with the UK Modern Slavery Act 2015 which incorporates the requirements under the California Transparency in Supply Chains Act 2010. This can be found on the Scapa Group website at www.scapa.com.

Code of conduct and sustainability approach

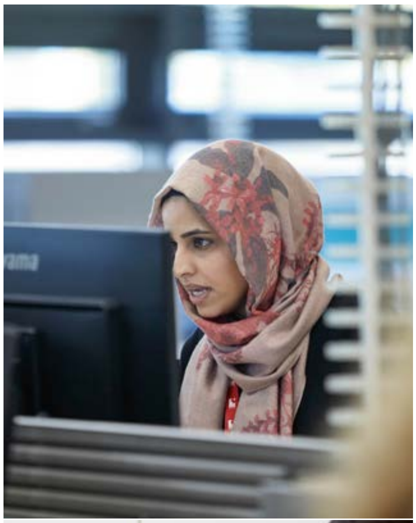
Scapa aims to act with integrity and professionalism with all suppliers and to support them to help achieve a responsible and sustainable approach across the supply chain. We recognise that some smaller suppliers may find it challenging to adopt the practices expected. In such cases, Scapa will adopt a risk-based approach to ensure that their contribution to its responsibility and sustainability agenda progresses in line with their capabilities.

Our Supply Chain Corporate Responsibility Policy Statement is founded upon this belief. For suppliers, Scapa will look to ensure that:

- suppliers' products comply with both their own product legislation and that of any countries for which the product is ultimately destined;
- human rights responsibilities in line with the UN Ruggie Framework are conformed to;
- employee working conditions of our suppliers are safe and hygienic, with working hours that are not excessive, and at least the legal minimum wage is paid for the location;
- employees are not subject to harassment or discrimination;
- materials used during the manufacturing process do not create any adverse environmental impacts;
- materials purchased by suppliers are sourced from responsible producers, with appropriate traceability systems;
- products supplied to Scapa do not lead to any adverse impacts on the health of any users in the supply chain;
- consideration is given to the environmental impacts of the products supplied (including packaging and transport to Scapa manufacturing locations); and
- suppliers have ethical business practices in place, including those relating to the avoidance of bribery or corruption.

For supply chain management, Scapa will ensure that:

- procurement teams segment their suppliers based on spend and by responsibility and sustainability risk;
- certain suppliers receive, complete and return the self-assessment responsibility and sustainability questionnaire, together with copies of Scapa's Code of Conduct and anti-bribery guidance;
- supplier legal agreements are in place to ensure compliance;
- responsibility and sustainability development plans will be agreed with larger suppliers, identifying mutual benefits; and
- training on responsibility and sustainability matters will be provided to each procurement team.



This Strategic Report is approved.

By order of the Board

H R Chae
Group Chief Executive
21 May 2019

Encouraging responsible corporate behaviour

"We continue to maintain and apply high standards of governance."

Larry Pentz
Chairman

The statement of corporate governance practices set out on pages 43 to 74, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of Scapa Group plc.

Dear shareholder

On behalf of the Board, I am pleased to present Scapa Group plc's Corporate Governance Report for the year ended 31 March 2019.

The Board has considered and received training on the 2018 Corporate Governance Code and changes in legislation which are intended to encourage responsible corporate behaviour. We acknowledge that the expectations from the changes require that the Board, in considering the long-term interests of its shareholders, ensures that it extends its responsibilities to a broader stakeholder group. The Board believes that it is well positioned to address such standards and will report on that basis in the next financial year.

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

The Board continues to remain fully supportive of the principles laid down in the Code and keeps under review its systems, policies and procedures that support the Group's sustainability and governance practices. The Board is responsible for maintaining high standards of corporate governance which necessitates managing the business in a transparent and accountable way. Transparency is fundamental to delivery of the Group's strategy and to enabling value creation for shareholders and stakeholders. This ethical leadership is cascaded throughout the business with adherence to our Scapa Code of Conduct, for which online training is undertaken by all employees on an annual basis and practised through the application of The Scapa Way.

The composition of the Board is reviewed to ensure that we have a diverse balance of skills, experience and knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and rigorous procedures are in place to attract, assess and develop Board and Executive Team talent. All appointments are made on merit, and the Board will consider suitably qualified applicants from as diverse a range as possible, with no restrictions on age, gender, religion, ethnic background or current executive employment, but whose competencies and knowledge will enhance the Board. I am pleased to report that during the year we made four new appointments to the Board: Oskar Zahn joined as Chief Financial Officer, Sevan Demirdogen and Joe Doherty joined as Executive Directors and Juliet Thompson joined as a Non-Executive Director and Remuneration Committee Chairman. All four new Directors bring a wealth of knowledge and experience relevant to our business. Their biographical details are set out on pages 44 to 45 of this report.

During the year an external Board evaluation was undertaken by an independent evaluator, Equity Communications. In-depth face-to-face interviews were undertaken covering the key areas of Strategy, Risk, Executive Succession Planning, Board Materials and Meetings, and Board and Committee Structure. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee and that all Directors properly discharge their duties. The process identified areas where improvements could be made and actions will be taken in the coming year to ensure these are addressed.

In line with our previous practice all Directors will be proposed for election or re-election at the Annual General Meeting of the Company to be held on 23 July 2019 in Ashton-under-Lyne, details of which are included in this report. Together with my Board colleagues, I look forward to meeting shareholders at that meeting.

L C Pentz
Chairman
21 May 2019

A diverse range of skills and experience

N R

Larry Pentz
Chairman

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

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

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

Heejae Chae
Group Chief Executive

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

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

External appointments Heejae is currently a member of the Board of Overseers of the Boston Children's Hospital. Heejae was appointed as a Non-Executive Director of IP Group plc on 3 May 2018.

Oskar Zahn
Chief Financial Officer

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

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

Joe Doherty
Executive Director

Appointment to the Board Joe joined the Board as an Executive Director on 21 January 2019 and was appointed Healthcare President on 1 April 2019.

Experience Joe's most recent role was President of Olympus Surgical Technologies America where he was also a member of the Olympus Corporation of the Americas Executive Committee. Previously, Joe spent 24 years with J&J, responsible for the integration of the largest acquisition in the company's history. He has held various leadership roles with J&J in R&D and was a member of the Neuro Franchise worldwide management board. Joe is a graduate of the United States Military Academy (West Point) with a Bachelor of Science in Engineering, and an MBA from Nichols College.

Sevan Demirdogen
Executive Director

Appointment to the Board Sevan joined the Board as an Executive Director on 21 January 2019, having joined the Company as President & Executive Vice-President in April 2018.

Experience Prior to joining Scapa, Sevan held various roles at Illinois Tool Works (ITW) since 1982. He was the Group President of ITW Stokvis, one of the world's largest independent tape converters with circa US$250m in revenue, responsible for 22 sites across 18 countries with over 1,000 employees. Previously, Sevan was the Vice President & General Manager of ITW Performance Polymers and General Manager of ITW Devcon & Plexus divisions.

N R AR

David Blackwood
Non-Executive Director

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

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

External appointments David is currently Audit Chair and Senior Independent Director of Dignity Plc and a Non-Executive Director of Stobart Group Ltd.

Committee memberships

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

N R AR

Pierre Guyot
Non-Executive Director

Appointment to the Board Pierre joined the Board on 8 January 2018.

Experience Pierre has over 30 years' experience in the international healthcare industry. From January 2014 until 31 December 2017, Pierre was a Director of Spineguard SA, France, and from 2007 to 2014, he was the Chief Executive Officer of Mölnlycke Health Care in Sweden. Prior to this, Pierre served in various roles in sales and marketing and EMEA positions with Becton Dickinson, Johnson & Johnson, and Boston Scientific.

External appointments Pierre is currently a Director of Permobil AB, Sweden, Peters Surgical SA, France, and Limflow SA, France.

N R AR

Brendan McAtamney
Non-Executive Director

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

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

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

N R AR

Juliet Thompson
Non-Executive Director

Appointment to the Board Juliet joined the Board on 21 January 2019 and is currently Chairman of the Remuneration Committee.

Experience Juliet has spent approximately 20 years working as an investment banker and strategic adviser to healthcare companies in Europe and has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. Her experience includes senior roles at Stifel Financial Corp, Nomura Code Securities and WestLB Panmure. She has also worked at Deloitte and Touche and HM Treasury. Juliet is a member of ICAEW (ACA).

External appointments Juliet is currently a Non-Executive Director of Vectura plc, Novacyt Group, Nexstim Oy and GI Dynamics Inc.

Wendy Baker
Group General Counsel and Company Secretary

Appointment to the Board Wendy joined Scapa on 11 September 2017.

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

Board composition

Executive (4)

Non-Executive (5)

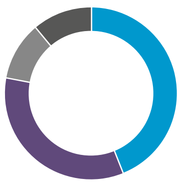
Length of tenure of Directors

Less than one year (4)

One to three years (3)

Three to six years (1)

More than six years (1)



Maintaining high standards of corporate governance

Board Committees

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

- the Audit and Risk Committee;
- the Nomination Committee; and
- the Remuneration Committee.

The reports of the Audit and Risk Committee, Nomination Committee and Remuneration Committee are set out on pages 51 to 71.

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

Audit and Risk Committee

The Audit and Risk Committee's main responsibilities are to monitor the integrity of the Group's financial statements, to review internal and external audit activity and to monitor the effectiveness of risk management and internal controls.

Nomination Committee

The Nomination Committee is responsible for Board recruitment and succession planning to ensure that the Board is balanced and comprises the correct skillsets.

Remuneration Committee

The Remuneration Committee is responsible for determining all elements of remuneration for the Executive Directors and Executive Team and for reviewing the appropriateness and relevance of the Group's remuneration policy.

Compliance statement

A detailed review of the Company's compliance with the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in April 2016 ('the Code') has been undertaken. The review took into account the FRC Guidance on Board Effectiveness issued in March 2011, the FRC Guidance on Audit Committees issued in September 2012 and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The Company has complied with all relevant provisions of the Code throughout the year ended 31 March 2019 and through to the date of this report. The Group's internal controls are summarised on page 50.

Attendance at meetings

The following table sets out attendance of each Director at Board and Committee meetings held during the year along with the maximum number of meetings that it was possible to attend:

	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings	**6**	**4**	**6**	**6**
Larry Pentz (Chairman)	6/6	4/4	6/6	6/6
Heejae Chae[1] (Group Chief Executive)	6/6	4/4	5/6	5/6
Oskar Zahn[1+2] (Chief Financial Officer)	3/3	2/2	N/A	N/A
Sevan Demirdogen[3] (President & Executive Vice-President)	1/1	N/A	N/A	N/A
Joe Doherty[3] (Healthcare President)	1/1	N/A	N/A	N/A
David Blackwood (Non-Executive Director)	6/6	4/4	6/6	6/6
Pierre Guyot (Non-Executive Director)	6/6	4/4	6/6	6/6
Brendan McAtamney (Non-Executive Director)	6/6	4/4	5/6	5/6
Juliet Thompson[3] (Non-Executive Director)	1/1	1/1	2/2	1/1
Martin Sawkins[4] (Non-Executive Director)	4/4	3/3	4/4	4/4
Graham Hardcastle[1+5] (Group Finance Director)	3/3	2/2	N/A	N/A
Richard Perry[6] (Senior Independent Director)	2/2	1/1	2/2	1/1

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

2 Appointed 1 October 2018

3 Appointed 21 January 2019

4 Retired 31 December 2018

5 Retired 1 October 2018

6 Retired 17 July 2018

Leadership

The role of the Board

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

The Board currently comprises four Executive Directors, a Non-Executive Chairman and four independent Non-Executive Directors. The names, biographical details and Committee membership of the current Board members are set out on pages 44 to 45 of this report.

Division of responsibilities of the Chairman and Chief Executive

There is a clear division of responsibilities between the Chairman and the Chief Executive. Each role has its own formal written description of specific responsibilities.

Individual roles of the Board

Chairman

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

Chief Executive

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

Non-Executive Directors

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

Senior Independent Director

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

Company Secretary

- Advises the Board through the Chairman on all governance matters, legislation and regulatory changes.
- All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties.
- Ensures efficient information flows within the Board, its Committees and senior management.
- Induction of new Directors and ongoing training and development needs.

Operation of the Board

The Board held six scheduled meetings during the fiscal year 2019 together with six telephone update calls between those meetings and a number of ad hoc conference calls to deal with matters as required. Attendance at each meeting is set out in the table on page 46. The Company Secretary was in attendance at all Board meetings as well as all telephone updates and conference calls. The Board held its annual strategy meeting in Knoxville, US, in January 2019.

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

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

- ongoing review of the culture programme implemented throughout the Group to promote entrepreneurship and value creation;
- approval of the annual budget;
- review of governance issues affecting the Company;
- review of the corporate structure of the Group;
- succession planning; and
- assessment of the corporate risk map.

Governance across the Group

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

Matters reserved for the Board

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

- approval (and ongoing review) of the Group's long-term objectives, strategy and operating policies;
- approval of the Group's annual operating plan;
- review of operational and financial performance;
- approval of major acquisitions or disposals;
- review of the Group's overall corporate governance arrangements;
- approval of material contracts and contracts in or outside of the ordinary course of business;
- review of dividend policy and declaration of interim dividends and recommendation to shareholders of final dividend;
- appointment, reappointment or removal of the external auditor;
- ensuring a sound system of internal control and risk management;
- major changes to the Group's management and control system;
- approval of global material policies including inter alia policies relating to Health & Safety, Corporate Social Responsibility, Anti-bribery and Anti-corruption, Modern Slavery and Human Trafficking;
- undertaking a formal and rigorous annual review of its own performance and that of its Committees and individual Directors; and
- appointment and removal of the Company Secretary.

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

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

May 2018

- Reviewed and approved Full Year Results 2017/18.
- Reviewed and approved Annual Report 2017/18.
- Reviewed Notice of 2018 Annual General Meeting.
- Reviewed Dividend Payment.
- Reviewed Code of Conduct.
- Integration of BioMed.

July 2018

- AGM Trading Statement and Proxy Results.
- IT Review/Strategy Presentation.
- Healthcare BU presentation.

September 2018

- Risk Management.
- EHS Presentation.
- Group strategy update.
- Approval of the acquisition of Systagenix.
- Appointment of Oskar Zahn to the Board.

November 2018 (held at new acquisition site at Gargrave, UK)

- Reviewed and approved Interim Results 2018/19.
- Reviewed and approved Interim Report.
- Industrial BU Presentation.
- Global Procurement and Supply Chain Presentation.

January 2019 (Strategy Meeting – held at Knoxville site, US)

- Appointments of Joe Doherty, Sevan Demirdogen and Juliet Thompson to the Board.
- Board Evaluation.
- Executive Strategy Presentations to the Board.
- Preparation for Capital Markets Day (see page 50).

March 2019

- Budget Presentations for FY2020.
- Update and implementation proposal of the 2018 UK Corporate Governance Code following Director Training by external provider in March 2018.

Board effectiveness

Composition and independence of the Board

During the year under review, the composition of the Board varied as a result of four new appointments and three retirements but at all times the Board comprised a Chairman, at least two Executive Directors and at least three independent Non-Executive Directors.

Oskar Zahn joined the Board as Chief Financial Officer with effect from 1 October 2018. Joe Doherty (Healthcare President), Sevan Demirdogen (President & Executive Vice-President) and Juliet Thompson (Non-Executive Director) were all appointed to the Board on 21 January 2019. Full biographical details of all new and current Directors can be found on pages 44 to 45 of this report.

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

The Chairman was independent on his appointment to the Board.

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

Board diversity

The Board recognises the importance of gender diversity throughout the Group and is committed to supporting women in achieving positions in senior management and Board membership. Our Executive Team currently comprises six positions, two of which are held by women. Further information on the total female representation in our workforce is set out in the Sustainability Report on page 38 of this report.

During the selection process used for the appointment of the new Non-Executive Director, the Board considered candidates in line with the Diversity Policy, resulting in the appointment of Juliet Thompson. The Board's statement on Board diversity is set out on page 57 of this report and also in the Group Corporate Governance section of the Company's website (www.scapa.com). Further information on our employee policies is set out on page 73.

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

Scapa recognises that Non-Executive Directors have other business interests outside the Company and that other directorships bring benefits to the Board. All existing directorships are included in the biographical details of the Directors on pages 44 to 45. Non-Executive Directors are required to obtain approval from the Chairman before accepting any further appointments.

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

Election/re-election

As referred to above, Oskar Zahn, Joe Doherty, Sevan Demirdogen and Juliet Thompson were appointed to the Board during the year under review. Their appointments will be subject to formal approval by shareholders at the Annual General Meeting to be held on 23 July 2019. In line with good governance the Board has adopted a policy that all Directors wishing to remain in post will propose themselves for re-election annually.

Further information on the appointment and replacement of Directors is provided in the Directors' Report on page 73.

Conflicts of interest

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

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the Board. The Directors have a continuing duty to immediately inform the Board of any potential conflicts so that these may be considered. There is a formal register of conflicts in which any authorised conflicts of interest would be recorded. During the year, none of the Directors declared a conflict of interest.

The Board has considered the external appointments of the Directors, details of which are included in their biographies on pages 44 to 45, and is satisfied that all Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their contracts or letters of appointment.

Board performance and evaluation

In accordance with the Code, the Board has established a formal process for the rigorous evaluation of the performance of the Board, its Committees and individual Directors on an annual basis. This year the evaluation was conducted externally using an independent evaluator, Equity Communications. In-depth face-to-face interviews were undertaken covering the key areas of Strategy, Risk, Executive Succession Planning, Board Materials and Meetings, and Board and Committee Structure.

The outcome was presented to the Board and discussed openly and fully at the March 2019 Board meeting. The overall assessment of the Board and each of its Committees and members was that the Board continues to function effectively to a high standard, with all members contributing fully and constructively. Areas which the Board should continue to focus on included Strategy, including tools for reporting and updating on Strategy, additional KPIs linking functional KPIs to Strategy, Risk, Executive Planning, Board Materials and Meetings.

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

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

Capital Markets Day

Scapa held a Capital Markets Day for analysts and investors on 23 January 2019 at the newly-acquired advanced wound care facility in Gargrave, UK.

The event included a presentation by senior management on the Company's strategy in Healthcare and included a tour of the state-of-the-art facilities which form part of the acquisition.

The facility provides new opportunities for inception-to-delivery development and manufacturing services. The event was well attended and positive feedback received.

Board effectiveness continued

Induction and training

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

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

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

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

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

Indemnification of Directors

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

Accountability

Financial and business reporting

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. The statement setting out the reasons why the Board continues to adopt the going concern basis for preparing the financial statements is included in the Directors' Report on page 72.

Internal control system

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

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

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

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

During the year there have been no significant failings, weaknesses or any material internal control failures that have been identified and which require reporting in the 2018/19 Annual Report and Accounts.

Communications with shareholders

At the Company's Annual General Meetings, all Directors are available to respond to questions from shareholders present. The Annual General Meeting provides a forum for constructive communication between the Board and shareholders. Throughout the year, the Executive Directors and the Chairman meet with investors to discuss matters relevant to the Company.

W Baker
Company Secretary
21 May 2019

"The Committee's focus is to ensure the Group has an effective system of risk management and control and for ensuring it continues to meet the required standards."

Composition and meeting attendance*

D C Blackwood (Chairman)	●●●●
L C Pentz[1]	●●●●
P Guyot	●●●●
B McAtamney	●●●●
J Thompson[2]	●
M T Sawkins[3]	●●●
Richard Perry[4]	●

* Four meetings during the year

1 Retired from the Committee 1 April 2019

2 Appointed 21 January 2019

3 Resigned 31 December 2018

4 Resigned 17 July 2018

David Blackwood
Chairman of the Audit and Risk Committee

Dear shareholder

The Audit and Risk Committee ('the Committee') Report for the year ended 31 March 2019 is set out on the following pages 51 to 54. The Committee completed its work plan for the year and continuously reviewed internal control, risk, accounting policies and regulatory guidance.

There is nothing to bring to your attention as a result of the work plan. In summary, the Committee considers that it has delivered what it set out to do and has a clear plan for 2019/20. Together with members of the Committee, I will be available at the Annual General Meeting to respond to any questions on any of the Committee's activities.

Aims and objectives

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

Composition

I have been Chairman of the Committee since 1 June 2016, having joined the Company as a Non-Executive Director on 1 May 2016. I am also currently a Non-Executive Director and Chairman of the Audit Committee at Dignity PLC, where I am also the Senior Independent Director, and I have recently been appointed as a Non-Executive Director for Stobart Group plc where I will shortly take over as the Chairman of the Audit Committee. I was previously Chief Financial Officer of Synthomer plc, a global specialty chemicals business. Prior to that I spent 22 years with ICI plc, where I held a number of senior financial roles. I have also served on the Audit and Risk Committee of the Cabinet Office, and was a member of the FRC's Board for Actuarial Standards. I am a Chartered Accountant (ICAEW) and a Fellow of the Association of Corporate Treasurers (FCT).

Composition continued

The Audit and Risk Committee also comprises Pierre Guyot, Brendan McAtamney and Juliet Thompson. Larry Pentz was a member until 1 April 2019. Pierre has over 30 years' experience in the international healthcare industry and is currently a Director of Permobil AB, Sweden, Peters Surgical SA, France, and Limflow SA, France. He was previously Chief Executive Officer of Mölnlycke Health Care in Sweden. Brendan is currently Chief Executive Officer of UDG Healthcare, where he has served as an Executive Director since December 2013, having originally joined UDG as Chief Operations Officer in 2013. Both Pierre and Brendan have wide-ranging business experience and critical sector knowledge giving deeper insight into the risks relating to the Healthcare business. Following the retirement of Richard Perry in July 2018 and Martin Sawkins in December 2018, Juliet Thompson was appointed to the Board and Committee on 21 January 2019. Juliet is currently a board member of a number of internationally listed medical device, development and diagnostic companies, including being a Non-Executive Director of Vectura Group plc, GI Dynamics Inc and Novacyt SA, and Deputy Chairman of Nexstim plc. Juliet is a Chartered Accountant and in addition brings broad financial and business experience as well as healthcare sector knowledge.

This relevant experience allows the members to:

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

The Company Secretary acts as the secretary to the Committee.

Meeting frequency and attendance

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

Others who are invited to attend meetings of the Committee:

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

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

The Committee's Terms of Reference are reviewed annually. This year's review was conducted in line with the Institute of Chartered Secretaries and Administrators (ICSA) guidance to reflect the UK Governance Code.

In summary, the Committee is required to:

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

External audit

Effectiveness

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

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

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

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

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

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

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

Audit and Risk Committee activities

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

Financial statements and reports

- Reviewed and discussed changes to the UK Corporate Governance framework and new accounting policies for IFRS 9 and IFRS 15 and their impact on reporting requirements.
- Reviewed the interim accounts and related statements and discussed:
  - key accounting judgements; and
  - the Income Statement for the half year, specifically revenue, trading profit and foreign exchange.
- Reviewed and considered the significant issues in relation to the financial statements and how these have been addressed, including:
  - **Viability statement** – the 2016 UK Corporate Governance Code provision C.2.2 has set out a requirement for the Directors to explain in the Annual Report how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate. The Committee reviews the analysis undertaken in relation to strategic risk management and risk assessment, risk appetite, internal control, risk and control reporting structure and the principal risks identified on an ongoing basis. This monitoring and review informs the statement which is documented annually.
  - **Pension liabilities** – the Group has a material defined benefit pension scheme deficit in the UK and smaller schemes in the US and Europe. Small changes to the assumptions used to value the retirement benefit obligations can have a significant impact on the financial position of the Group. The Committee reviews the assumptions put forward by the actuaries and reviews their reasonableness. The Committee reviews the assumptions by comparison to external benchmark data and also considers the adequacy of disclosures in respect of the sensitivity of the deficit to changes in these key assumptions.
  - **Inventory valuation** – inventory is a significant item on the Balance Sheet and therefore exposes the Group to risks around valuation and existence. The Committee reviews the year-end reports on inventory with particular focus on the level of provisioning and the results from the annual stock-takes. The Committee reviews the analysis of stock write-offs throughout the year.
  - **Exceptional items** – the Committee received reports and challenged the basis and completeness of information. In particular, the Committee considered the nature of the items and determined whether separate disclosure was appropriate or not. The Committee discussed with management the key judgements behind all the exceptional items and agreed with their recommendations.
  - **Acquisition and fair value accounting** – valuing and assessing the assets procured as part of the acquisition of Systagenix Wound Management Manufacturing Ltd involved assumptions around the values and cash flows of both tangible and intangible assets. The Committee reviewed the fair value assumptions and discussed the reasonableness of the conclusions with senior management and the auditor.
  - **Carrying value of goodwill, intangible and fixed assets** – the Committee receives an annual update on the impairment reviews based on the recoverability determined on a value in use basis on each cash-generating unit (CGU) using the management approved forecasts for each CGU within the Group.
- Reviewed the Annual Report and related statements and the Auditor's Report for 2018/19 to ensure that the report is fair, balanced and understandable.

External audit

- Monitored and ensured the independence and objectivity of the external auditor.
- Reviewed and approved the external audit fees for 2018/19.
- Approved all non-audit service work exceeding £10,000.
- Reviewed and approved the scope and methodology of the external audit strategy for 2018/19.
- Reviewed the performance of the external auditor and considered the reappointment of Deloitte LLP as auditor for 2018/19 and recommended its reappointment to the Board.

Internal audit

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

Risk management

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

Internal audit

Responsibilities

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

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

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

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

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

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

External audit governance

Auditor independence

The Committee continues to monitor the external auditor's compliance with applicable ethical guidance and guidelines and considers the independence and objectivity of the external auditor as part of the Committee's duties. The Committee received and reviewed written confirmation from the external auditor on all relationships that, in its judgement, may bear on its independence. The external auditor has also confirmed that it considers itself independent within the meaning of UK regulatory and professional requirements.

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

The external auditor may be appointed to provide non-audit services where it is in the Group's best interests to do so, provided a number of criteria are met. These are that the external auditor does not:

- audit its own work;
- make management decisions for the Group;
- create a conflict of interest; or
- find itself in the role of an advocate for the Group.

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

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

Tendering policy and review of auditor effectiveness

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

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

D C Blackwood
Chairman of the Audit and Risk Committee
21 May 2019

"The recent appointments further enhance the composition and skillsets of the Board and reflect our strategy and ambition."

Composition and meeting attendance*

L C Pentz (Chairman)	●●●●●●
D C Blackwood	●●●●●●
P Guyot	●●●●●●
B McAtamney[1]	●●●●●○
J Thompson[2]	●
M T Sawkins[3]	●●●●
R J Perry[4]	●

* Six meetings during the year

1 Brendan McAtamney was unable to attend a meeting but did receive the papers and raised any comments he had with the Chairman

2 Appointed 21 January 2019

3 Retired 31 December 2018

4 Retired 17 July 2018

Larry Pentz
Chairman of the Nomination Committee

Dear shareholder

The Report of the Nomination Committee ('the Committee') for the year ended 31 March 2019 is set out below.

Aims and objectives

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

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

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

Composition

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

Biographical details of all Committee members can be found on pages 44 to 45 of this report and also in the Group Board of Directors section on the Company's website (www.scapa.com).

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

Meeting frequency and attendance

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

Succession planning

During the year, the Committee primarily focused on Board succession and composition, with a number of changes taking place as outlined below. A formal and extensive recruitment process was undertaken with independent executive search firm Russell Reynolds to identify potential candidates for the role of Chief Financial Officer. This culminated in the appointment to the Board of Oskar Zahn with effect from 1 October 2018 following the resignation of Graham Hardcastle.

In addition, the Committee discussed the benefits of the appointment of the two Business Unit Heads as Executive Directors. A search was undertaken with Robinson Butler which culminated in the recommendation and nomination of Joe Doherty as an Executive Director with effect from 21 January 2019. Joe also assumed the responsibility of Healthcare President on 1 April 2019 following the retirement of Joe Davin. Sevan Demirdogen, President & Executive Vice-President, was recommended and appointed to the Board as an Executive Director, also with effect from 21 January 2019.

Following the retirement of Richard Perry, Senior Independent Director, at the 2018 AGM, David Blackwood was appointed to that role. Martin Sawkins, Chairman of the Remuneration Committee, retired on 31 December 2018. Prior to Martin's retirement, a recruitment search was undertaken with independent leadership search firm, Ridgeway Partners, for a Non-Executive Director. The search resulted in the appointment to the Board of Juliet Thompson as a Non-Executive Director with effect from 21 January 2019. Juliet also became Chairman of the Remuneration Committee and a member of the Audit and Risk and Nomination Committees upon her appointment.

The biographical details of Oskar, Joe, Sevan and Juliet can be found on pages 44 to 45 of this report and resolutions for their election as Directors will be proposed to shareholders at the Annual General Meeting in July 2019.

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

In the coming year the Committee will continue to monitor the composition and effectiveness of the Board and its Committees and ensure that it continues to act in accordance with good governance practice.

L C Pentz
Chairman of the Nomination Committee
21 May 2019

Nomination Committee activities

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

- the outcome of the annual evaluation of the Board's and Board Committees' effectiveness;
- Executive and senior talent succession planning and strategy, which resulted in:
  - the nomination and appointment of Oskar Zahn as Chief Financial Officer with effect from 1 October 2018;
  - the nomination and appointment of Joe Doherty to the Board with effect from 21 January 2019. Joe also assumed the responsibility of Healthcare President on the retirement of Joe Davin on 1 April 2019; and
  - the nomination and appointment of Sevan Demirdogen to the Board with effect from 21 January 2019, in addition to his current responsibility as President & Executive Vice-President;
- succession planning of Non-Executive Directors which resulted in the nomination and appointment of Juliet Thompson with effect from 21 January 2019;
- the appointment of David Blackwood as Senior Independent Director following the retirement of Richard Perry at the 2018 AGM;
- the appointment of Heejae Chae as a Non-Executive Director of IP Group plc;
- the independence of the Non-Executive Directors;
- the Committee's existing Terms of Reference which are reviewed on an annual basis. This year's review confirmed that the Terms of Reference remain in line with current guidelines from ICSA. These guidelines will continue to be reviewed in the event of any changes in best practice or legislation;
- the appointment/reappointment of Directors at the 2018 AGM; and
- the Board Diversity policy adopted by the Board in January 2014 and amended in March 2017. There were no proposed changes to the policy during the year. The policy is set out below and a copy is located in the Group Corporate Governance section on the Company's website (www.scapa.com).

Board Diversity policy

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

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

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

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

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

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

Composition and meeting attendance*

J Thompson (Chairman)[1]	●●
L C Pentz	●●●●●●
D C Blackwood	●●●●●●
P Guyot	●●●●●●
B McAtamney[2]	●●●●●○
M T Sawkins[3]	●●●●
R J Perry[4]	●●

* Six meetings during the year

1 Appointed 21 January 2019

2 Brendan McAtamney was unable to attend a meeting but did receive the papers and raised any comments he had with the Chairman

3 Retired 31 December 2018; Remuneration Committee Chairman until retirement

4 Retired 17 July 2018

Juliet Thompson
Chairman of the Remuneration Committee

Dear shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2019.

The Board, having given initial consideration to the 2018 Corporate Governance Code ('the 2018 Code') has, on the recommendation of the Remuneration Committee ('the Committee'), taken the decision to propose an amended Remuneration Policy ('the policy'). The changes to the policy predominantly take into account the requirements of the 2018 Code which the Board considers, at this time, to be appropriate given the Company's AIM listing, and the move to one long term incentive scheme which will replace the 2011 Performance Share Plan and the 2015 Value Creation Plan. The Committee and in turn the Board will continue to keep all requirements of the 2018 Code under review. Given the limited changes to the policy no formal consultation with shareholders has been undertaken. Shareholders will be asked to approve the amended policy, a copy of which can be found on pages 60 to 64 of this report, at the 2019 Annual General Meeting.

In addition, the Board is proposing a new Long Term Incentive Plan (2019 LTIP) to replace the Scapa Group plc 2011 Performance Share Plan (2011 PSP) and the 2015 Value Creation Plan (2015 VCP). The Board believes that the new plan will be aligned with the new Remuneration Policy and captures best practice in respect of schemes of this nature. A copy of the 2019 LTIP is available for inspection from 10 June 2019 to 23 July 2019 at the Company's registered office and also at the offices of Deloitte LLP, Company Secretarial Dept, 2 New Street Square, London EC4A 3BZ.

This report sets out the activities of the Remuneration Committee for the year ended 31 March 2019. The report includes the proposed amended Directors' Remuneration Policy and remuneration details for Scapa's Executive and Non-Executive Directors, and has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013, which the Company has voluntarily chosen to follow.

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

Our strategy

Our continued success has been shaped by maintaining a disciplined approach in executing our strategy to create a balanced portfolio of businesses in our chosen markets of Healthcare and Industrial; to develop and leverage strategic relationships with global market leaders; to expand scale and scope through acquisitions; and to continue to focus on efficiency improvement and cost control.

Executive remuneration and link to strategy

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

Remuneration outcomes of 2019

Full details of the decisions of the Committee made in 2019 are set out in the Directors' Annual Remuneration Report on pages 65 to 71. The Group has reported results achieving £38.2m trading profit on revenue of £311.8m and continuing year-on-year growth since 2010 under the direction of the CEO and the Executive Team. Trading profit margin improved to 12.3% and adjusted EPS increased to 18.9p.

The Committee agreed to increase the salary of the Chief Executive to £463,000 per annum (representing an increase of 2.2%) with effect from 1 January 2019. This increase is in line with the projected general workforce increase for 2019.

The annual bonus targets for the Executive Directors and Executive Team were set by the Committee at the beginning of the financial year. The Executive Directors could receive an annual bonus equivalent to 100% of salary for 2019; however, as the targets were not met no bonus payments will be made for this financial year.

The Committee has also reviewed the Company's adjusted EPS growth over the three-year period ended 31 March 2019 to establish whether the performance criteria for vesting of awards made under the Company's Performance Share Plan in 2016 had been achieved. The adjusted EPS growth over the three-year performance measurement period exceeded the target for 100% vesting and the awards will vest in full.

The Company's share price over the three-year TSR measurement period rose from 215.0p to 284.0p and market capitalisation grew from £322.6m to £439.2m, with £9.2m returned to shareholders by way of dividend.

The first tranche of the Value Creation Plan (VCP) established for the Executive Directors and Executive Team who qualified at the time of grant, vested on 31 March 2018, with the gateway share price of £3.00 having been exceeded. Pursuant to the VCP rules, the vested amount will subsequently be reduced by amounts vested or vesting under the PSP schemes in financial years 2018 and 2019 respectively. Shares held under Tranche 1 of the VCP will not be released until March 2020. Tranche 2 of the VCP is not due to vest until 31 March 2020, subject to a gateway share price of £4.00 per share.

Composition

I have been Chairman of the Committee since my appointment to the Board as a Non-Executive Director on 21 January 2019. The other members of the Committee as at the date of this report are Larry Pentz (Group Chairman), David Blackwood (Senior Independent Director), Pierre Guyot (Non-Executive Director) and Brendan McAtamney (Non-Executive Director). The Company Secretary acts as secretary to the Committee. Richard Perry retired in July 2018 and Martin Sawkins retired in December 2018.

Biographical details of all current Committee members can be found on pages 44 to 45 of this report and also in the Group Board of Directors section on the Company's website (www.scapa.com).

Meeting frequency and attendance

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

Transparency in disclosure

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

The Committee's report comprises three sections, namely:

- this statement, which sets out a summary of and explains the major decisions on Directors' remuneration;
- the proposed amended Directors' Remuneration Policy; and
- the Directors' Annual Remuneration Report, which provides details on how the proposed amended Remuneration Policy will operate in the forthcoming year and states the remuneration earned by the Directors in the year to 31 March 2019.

The Directors' Annual Remuneration Report will be subject to an advisory vote by shareholders at the 2019 Annual General Meeting. The amended Remuneration Policy and 2019 LTIP will both be subject to approval by shareholders at the 2019 Annual General Meeting. As Chairman of the Committee, I will be available to respond to any questions you may wish to raise on any of the Committee's activities.

Juliet Thompson

J Thompson
Chairman of the Remuneration Committee
21 May 2019

Remuneration Committee activities

The key activities of the Committee during the year were:

- review of the Directors' Remuneration Policy;
- consideration of the levels of pay and benefits for the Executive Directors and Executive Team;
- consideration and approval of appointment and exit terms for Senior Executives;
- agreement on the Executive bonus arrangements and targets for the year;
- review of Corporate Governance developments in the area of executive remuneration;
- measurement and monitoring of unvested LTIP awards;
- assessment of performance targets and outcome against annual bonus and LTIP targets for the Executive Directors and Executive Team;
- consideration of VCP vesting; and
- consideration and introduction of new SAYE Sharesave Scheme for employees.

This report sets out the Company's policy on the remuneration of its Executive Directors and Non-Executive Directors (the 'policy') which, subject to approval by shareholders at the 2019 Annual General Meeting, will be effective for a period of up to three years.

The policy has been updated to reflect those requirements of the 2018 Corporate Governance Code which the Board considers to be appropriate, given the Company's AIM listing, and also the move to one long term incentive scheme which will replace the 2011 Performance Share Plan and the 2015 Value Creation Plan. The policy will continue to be kept under review. In view of the limited changes to the policy no formal consultation with shareholders was undertaken.

Changes to the Remuneration Policy

The key changes to the previous Remuneration Policy, which was approved by shareholders in 2017, are:

- reduction in a maximum level of pension for new Executive Directors to 10% of salary;
- the maximum annual bonus opportunity has been increased from 150% to 185% of salary with an overall maximum of 200% of salary for exceptional outperformance of targets. Any bonus award over 100% will be satisfied in deferred shares, which are to be retained for up to three years;
- the maximum award under the LTIP has been maintained at 200% but the annual award thresholds have been increased from 100% to 150% of salary;
- recovery by malus and clawback provisions will apply to cash and deferred share bonuses and LTIPs; and
- an increase in the scope of operating discretion in the bonus plan and the LTIP.

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

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

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

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

Components of remuneration

Purpose	Operation	Maximum opportunity	Performance measures
Salary			
Attract and retain the right calibre of senior executive required to support the long-term success of the business. Provide the basis for a competitive remuneration package.	Salaries are usually determined by reference to market data. Reflects individual experience, skills and role. Paid monthly. Reviewed annually by the Remuneration Committee with any changes normally becoming effective on 1 June for Executive Directors. Any changes to Heejae Chae's salary have been effective from 1 January.	Increases will be made within the percentage range of salary increases awarded to the wider workforce of the Group. However, higher increases may be awarded in appropriate circumstances at the discretion of the Committee to take account of individual circumstances such as: • increase in responsibility; • development and performance in the role; • alignment to market level; and • changes in size or complexity of the Group.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.

Purpose	Operation	Maximum opportunity	Performance measures
Pension			
Provide a market competitive level of pension provision and allow Executive Directors to build long-term retirement savings.	Defined contribution based on a percentage of salary. Directors may elect to take all or part of their pension contribution as a cash supplement.	Up to 10% of salary for new Executive Directors. At the date of approval of this policy, the Company makes a contribution to Heejae Chae of 20% of salary and Oskar Zahn of 15% of salary. No element other than salary is pensionable.	None. Pension contribution is set at commencement of an individual's contract.
Benefits			
Protect against risks and provide other benefits reflecting the international aspects of Executive Directors' roles.	Current benefits include a car allowance paid monthly, private medical insurance in the UK, permanent health insurance and life assurance cover. Other benefits may be paid if the Committee considers it appropriate. US Executive Directors participate in a US contributory private medical insurance plan.	Set at a level which the Remuneration Committee considers is appropriate taking into account comparable roles in companies of a similar size and complexity, and provides a sufficient level of benefit based on the role.	None.
Annual bonus			
Provide a direct link between measurable individual performance and rewards. Encourage the achievement of outstanding results aligned to the business strategy and achievement of planned business objectives.	Individual bonus decisions are based on Executive Directors' performance during the year, measured against Group and personal objectives. Performance measures may include both quantitative and qualitative, and both financial and non-financial. Bonus awards are made annually by the Committee following discussions with the Chairman (for the Chief Executive's bonus) and the Chief Executive (for other Executive Directors' bonuses). As at the date of approval of this policy, a newly-appointed Chief Executive Officer's bonus will normally comprise two-thirds cash settlement and one-third deferred into shares, typically up to a period of three years. Bonus awards for other Executive Directors exceeding 100% of base salary will be deferred into shares, typically up to a period of three years. Recovery provisions apply as referred to on page 63.	The value of any annual bonus is limited to a percentage of salary. As at the date of approval of this policy, the maximum percentage opportunity is up to 200% of base salary. However, in normal circumstances the maximum annual opportunity will be up to 185% of base salary. The additional opportunity to earn the overall maximum will only be used if exceptional outperformance of targets is achieved. The current maximum opportunity for incumbent Executive Directors for FY19/20 is 150% of salary in cash if exceptional outperformance of targets is achieved.	Performance is assessed using specific metrics set by the Remuneration Committee, which may include Group trading profit improvement. Where more than one measure applies the Remuneration Committee will determine its weighting. The measures and targets are set annually by the Committee in advance of each grant. The measures that apply are set out in the relevant Directors' Annual Remuneration Report. Measures for future years will be described in the Directors' Annual Remuneration Report for the relevant year. The annual bonus is a discretionary plan and the Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate.

Components of remuneration continued

Purpose	Operation	Maximum opportunity	Performance measures
Long term incentive plan award			
Reward execution of Scapa's strategy and growth in shareholder value over a multiple-year period. Long-term performance measurement discourages excessive risk-taking and inappropriate short-term behaviours, and encourages Executive Directors and Senior Executives to take a long-term view by aligning their interests with those of shareholders. The LTIP is designed to retain Executive Directors and Senior Executives over the performance period of the awards.	LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Chief Executive's award) and the Chief Executive (for the other Executive Directors' and Senior Executives' awards). Awards may be granted in the form of conditional shares, nil cost options or other share options. Achievement of stretching performance measures determines whether and to what extent LTIP awards will vest. Awards vest three years after the date of the award, subject to achievement of performance criteria. At vesting, the LTIP awards are ordinarily satisfied in Scapa shares but the Committee has the discretion to satisfy in cash or part cash if it deems it appropriate circumstances. Awards will typically lapse on termination of employment, although the Committee may determine that awards may vest after termination of employment, in accordance with the plan rules and taking into account performance between the date of grant and date of termination of employment. In the event of a change of control of the Company, awards shall vest and be exercisable. Recovery provisions apply as set out on page 63.	Awards are made as a percentage of base salary up to a maximum of 200%. In the absence of exceptional circumstances which the Committee considers warrant additional levels of award, the LTIP awards will be granted at not more than 150% of salary each year. LTIP awards issued prior to date of approval of this policy will be granted at not more than 100% of salary. The Committee has discretion to award additional shares (or equivalent cash amount) to reflect the value of dividend paid on some or all of the shares vesting up to the end of the performance period.	Performance is assessed against delivery of long-term financial performance. Existing awards vest against growth in EPS. Alternative or additional criteria may be used to determine future rewards. The Committee retains the discretion to adjust any formulaic outcome to reflect overall business or individual performance or any other reason considered appropriate.
Value Creation Plan			
Reward the Executive Directors and other Senior Executives to create exceptional and sustainable increases in shareholder value during the five-year period to 31 March 2020. No further awards will be made under the Value Creation Plan.	In 2015, awards were made by the Committee to the Executive Directors and Executive Team at that time. Awards may vest before March 2020 in certain circumstances in accordance with the rules of the VCP in the event of a change of control, other relevant corporate event or in certain 'good leaver' circumstances. The Committee has discretion to operate the VCP in accordance with its rules as approved by shareholders.	Participants will share 5% of the increase in value created for shareholders above a share price of £1.95 up to a share price of £5.00. The Committee has discretion to award additional shares (or an equivalent cash amount) to reflect the value of dividends paid on some or all of the vested shares up until the release date.	Share price growth, measured on 31 March 2018 and 31 March 2020 using the average closing price in the 30 days commencing on the Measurement Date. Where an award vests early as a result of a change of control, or other relevant corporate event, or in 'good leaver' circumstances, the growth in share price will be measured in accordance with the VCP rules.

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

Recruitment remuneration arrangements

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

Recovery – malus and clawback

The 2019 Long Term Incentive Plan and Bonus Plans issued to incumbent Executive Directors in 2020 and new Executive Directors with immediate effect will incorporate malus and clawback provisions. Triggers and timescales that will operate will be included in plan documentation for the Bonus Plan, including cash and deferred shares and the Long Term Incentive Plan.

Director shareholding guidelines

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

Executive Director service contracts and termination payments

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

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

External appointments

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

Remuneration policy for the Chairman and Non-Executive Directors

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

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

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

The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual and market practice in comparable companies. The Chairman's fee is currently set at £125,000 per annum.

The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and Chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Non-Executive Directors' fee structure was reviewed by the Board in November 2017 and the following fee structure was implemented with effect from 1 January 2018:

- Basic fee – £42,000
- Committee Chairman fee – £6,000
- Senior Independent Director fee – £3,000

This fee structure remains in place, with the next review being scheduled for November 2019 and any amendments to take effect from 1 January 2020.

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

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 March 2018 and 2019:

	Salary/fees £'000		Benefits[1] £'000		Bonus £'000		PSP awards £'000		Pension £'000		Total £'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors												
H R Chae	**455,500**	443,250	**24,948**	27,048	**–**	265,950	**663,173**	1,530,240	**91,100**	88,650	**1,234,721**	2,355,138
O Zahn[2]	**150,000**	–	**6,798**	–	**100,000**	–	**–**	–	**22,500**	–	**279,298**	–
S Demirdogen[3]	**272,436**	–	**20,709**	–	**87,121**	–	**–**	–	**10,198**	–	**390,464**	–
J Doherty[4]	**58,275**	–	**3,252**	–	**37,879**	–	**–**	–	**–**	–	**99,406**	–
G S Hardcastle[5]	**169,167**	249,167	**10,204**	10,938	**–**	149,500	**–**	–	**33,833**	49,833	**213,204**	459,438
Non-Executive Directors												
L C Pentz	**125,000**	125,000	**–**	–	**–**	–	**–**	–	**–**	–	**125,000**	125,000
D C Blackwood	**48,000**	45,750	**–**	–	**–**	–	**–**	–	**–**	–	**48,000**	45,750
P Guyot	**42,000**	10,500	**–**	–	**–**	–	**–**	–	**–**	–	**42,000**	10,500
B McAtamney	**42,000**	7,000	**–**	–	**–**	–	**–**	–	**–**	–	**42,000**	7,000
J Thompson[6]	**9,662**	–	**–**	–	**–**	–	**–**	–	**–**	–	**9,662**	–
R J Perry[7]	**13,327**	42,750	**–**	–	**–**	–	**–**	–	**–**	–	**13,327**	42,750
M T Sawkins[8]	**36,000**	45,750	**–**	–	**–**	–	**–**	–	**–**	–	**36,000**	45,750

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

2 Appointed as Chief Financial Officer 1 October 2018

3 Appointed as Executive Director 21 January 2019, having joined the Company on 2 April 2018

4 Appointed as Executive Director 21 January 2019

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

6 Appointed as a Non-Executive Director 21 January 2019

7 Retired 17 July 2018

8 Retired 31 December 2018

Additional disclosures for single figure for total remuneration to 31 March 2019

Salary

The salary of Heejae Chae, Chief Executive Officer, was £453,000 (on an annualised basis) from 1 April to 31 December 2018 and was increased by 2.2% to £463,000 per annum with effect from 1 January 2019. This increase is in line with the projected general workforce increase for 2019.

The salary of Oskar Zahn, Chief Financial Officer, was increased from £300,000 to £350,000 on an annualised basis following a six-month review after his appointment. Upon his appointment, Oskar Zahn was also granted a one-off bonus payment of £100,000, of which £50,000 was paid in October 2018 when he joined the Company and the balance payment in December 2018. This payment was in lieu of the bonus that Oskar forfeited upon leaving his previous employer.

The salary of Sevan Demirdogen, President & Executive Vice-President, is US$400,000 with effect from 21 January 2019 and will be reviewed with effect from 1 June 2020. Sevan will receive a payment of £87,121 (US$115,000) in April 2019, which represents a payment in lieu of the value of the Restricted Share Award which Sevan forfeited upon leaving his previous employer. A further payment of US$115,000 will be payable in February 2020.

The salary of Joe Doherty, Healthcare President, is US$400,000 with effect from 21 January 2019 and will be reviewed with effect from 1 June 2020. Joe will receive a payment of US$50,000 in July 2019 in lieu of a bonus payment which Joe forfeited upon leaving his previous employer.

Graham Hardcastle, Group Finance Director until 1 October 2018, received a salary of £250,000 (on an annualised basis) for the period 1 April to 30 May 2018, which was increased to £255,000 (on an annualised basis) with effect from 1 June 2018.

Pension contributions

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

With regard to Sevan Demirdogen and Joe Doherty (both US citizens), Sevan receives 3% of salary for a 401K match and Joe will receive 3% of his salary for a 401K match after completion of six months' service.

Additional disclosures for single figure for total remuneration to 31 March 2019 continued

Annual performance bonus

The 2019 bonus for the Executive Directors was based on the Group's gateway target with a maximum potential payout of 100% of salary. The actual target range has not been disclosed, because the Board considers this to be commercially sensitive information. As the target was not achieved, no bonus payments will be made for this financial year.

Non-Executive Director fees

With effect from 1 January 2018, fees payable to the Non-Executive Directors increased from £40,000 to £42,000 per annum. An additional fee for chairing a Committee increased from £5,000 to £6,000 per annum and an additional fee for the role of Senior Independent Director increased from £2,000 to £3,000 per annum. This fee structure will next be reviewed in November 2019 with any changes taking effect from 1 January 2020.

Long-term incentives

Performance Share Plan 2011 (PSP)

PSP is a long-term incentive for Executive Directors, the Executive Team and key members of the Leadership Team. It is designed to encourage participants to deliver sustained profitable growth and enhanced shareholder value and awards are granted based on up to 100% of salary. During the financial year ended 31 March 2019, options were granted to Heejae Chae, Graham Hardcastle and Oskar Zahn based on 100% of salary, and to Sevan Demirdogen based on 80% of salary. The single performance criterion used in the PSP is trading EPS, which the Committee believes is a fair and appropriate condition for rewarding participants as it aligns their interests with those of shareholders and, being measured over a three-year period, aligns the reward with the Company's strategy for growth by encouraging longer-term profitable growth. When determining the trading EPS growth, the impact of material acquisitions, disposals and changes in the issued share capital will be disregarded to ensure that they do not artificially affect the EPS measurement.

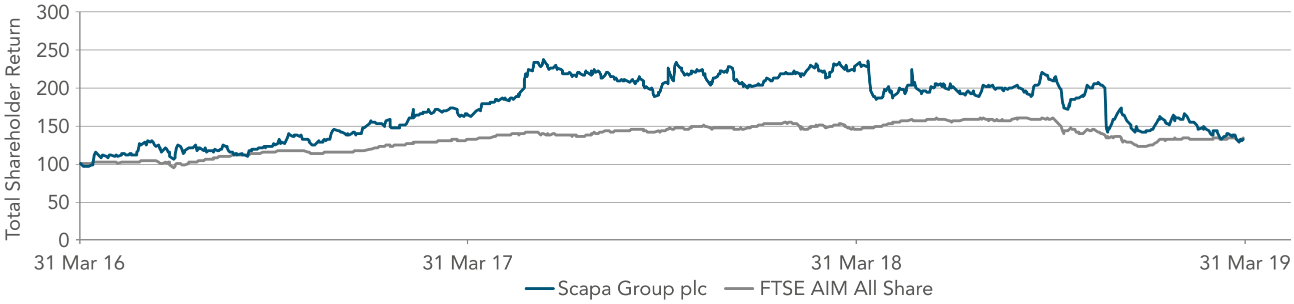
Awards granted in 2016 (audited information)

The PSP award in 2016 was based on adjusted EPS growth over the three-year period ending 31 March 2019. The adjusted EPS in March 2016 was 10.6p. The table below sets out achievement against targets for the EPS measure:

EPS target (p)	Award vesting (%)	Adjusted EPS achieved (p)	Resulting level of award (% of maximum opportunity)
3-year RPI +40%	100%	18.9p	100%

Total shareholder return (three years)

The Company's share price over the three-year measurement period rose from 215.0p to 284.0p and market capitalisation grew from £322.6m to £439.2m, with £9.2m returned to shareholders by way of dividend.



Awards granted (audited information)

The following PSP awards were made in the year to 31 March 2019:

Director	Number of shares awarded	Vesting date
H R Chae	106,991	1 June 2021
S Demirdogen	48,986	1 June 2021
O Zahn	70,855	5 March 2022
G S Hardcastle	60,227	Lapsed

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

The awards were made on 1 June 2018 and 5 March 2019 and the closing share price used for the awards was 423.4p.

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

	Adjusted 2016 EPS	Award 2016* vesting	Adjusted 2017 EPS*	Award 2017* vesting	Adjusted 2018 EPS*	Award 2018* vesting	Adjusted 2019 EPS*	Award 2019* vesting
	3-year RPI +25%	25%	3-year RPI +25%	25%	3-year RPI +25%	25%	3-year RPI +25%	25%
	3-year RPI +40%	100%	3-year RPI +40%	100%	3-year RPI +40%	100%	3-year RPI +40%	100%
Adjusted EPS at	**31 March 2018**		**31 March 2019**		**31 March 2020**		**31 March 2021**	

* Straight-line vesting occurs between these points

The value of the PSP awards, based on the market price of the Company's shares on the day prior to the date of grant, does not exceed 100% of the base salary of the participant to whom the award has been made.

Value Creation Plan

Heejae Chae, Chief Executive Officer, and Graham Hardcastle, former Group Finance Director, together with members of the Executive Team who qualified at the time, participate in the Scapa Group plc 2015 Value Creation Plan which was approved by shareholders in General Meeting on 16 November 2015 ('the Plan'). The Plan was intended to directly align Senior Executives' interests with those of shareholders by connecting remuneration specifically with shareholder value. Entitlements under the Plan were awarded in February 2016 and are set out below. The Plan includes an overall cap on the value of Company shares that can be delivered, as well as an 'offset' mechanism whereby any shares that may be delivered under the Plan are reduced by the value of any shares that vest pursuant to awards made under the PSP in the financial years ending 31 March 2016, 2017 and 2018.

The Plan will reward participants for creating value through growth in the Company's share price in excess of £1.95 and up to £5.00 per share, with Tranche 1 measured on 31 March 2018 and Tranche 2 measured on 31 March 2020 (each a 'Measurement Date') and subject to gateway share price targets of £3.00 on the first Measurement Date and £4.00 on the second Measurement Date. The gateway target of £3.00 on 31 March 2018 was met and accordingly awards vested in respect of the first Measurement Date. The number of shares awarded under Tranche 1 have been reduced to reflect the share awards that have vested under the PSP award granted in July 2015 which vested in July 2018. A further reduction to Tranche 1 will also be made in the event that the PSP award granted in July 2016 vests in July 2019. Shares awarded under Tranche 1 are subject to a 24-month holding period and will not be released until 31 March 2020.

The maximum pool available to participants was 5% of the value created above a share price of £1.95 up to a share price of £5.00. Assuming no changes to the number of shares in issue as at 31 March 2016 (150,033,428), if the share price increases to £5.00 or above, the Plan would pay out a maximum of approximately £22.9m ((150 million shares x 5%) x (£5.00 – £1.95)). Heejae Chae, Chief Executive Officer, who was granted a 40% participation, would hold an option to acquire 1.8 million shares and Graham Hardcastle, former Group Finance Director, who was granted a 20% participation, would hold an option to acquire 0.9 million shares. These options are subject to reduction by the value of awards vested under the PSP, as described above.

Upon Tranche 1 of the Value Creation Plan vesting, the number of shares that Heejae Chae and Graham Hardcastle qualified for was 1.8 million and 0.9 million respectively; however, as referenced above, the VCP vested amount has been reduced for Heejae Chae to reflect the shares vesting under the PSP scheme in FY18. Accordingly, the number of shares that Heejae Chae and Graham Hardcastle qualify for are 1.6 million and 0.9 million respectively. Heejae Chae's qualified number of shares will be further reduced to reflect the PSP amount vesting in FY19. Therefore, the eventual value on release will be different depending on share price performance over the holding period and the value of the remaining PSP schemes that will vest, which is to be offset from the above amounts.

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

Dilution limits

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

On the assumption that all outstanding awards vest and will be exercised, and including all exercised awards as at 31 March 2019, the Company will have utilised 7.2% of the 10% dilution limit pursuant to the Investment Association Principles.

The new 2019 Long Term Incentive Plan, which will be proposed to shareholders for approval at the 2019 AGM, will continue to reflect the same 10% dilution limit over a ten-year period in relation to the Company's issued share capital.

SAYE scheme (audited information)

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

Director	Shares under option at 31 March 2018	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option at 31 March 2019
H R Chae	5,660	3,296	5,660	–	3,296

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

Change in remuneration of Chief Executive compared to Group employees

The table below sets out the increase in remuneration of the Chief Executive and that of the Leadership Team, which comprises 35 employees (excluding new starters during the year):

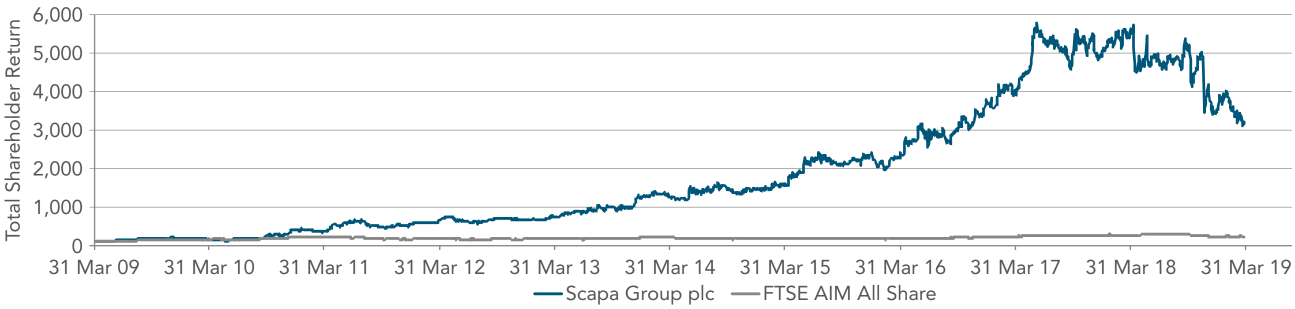
	Percentage change in remuneration in 2018 compared with remuneration in 2019	
	Chief Executive	Leadership Team
Salary/fees	2.2%	4.4%
Benefits	(7.8%)	–
Annual bonus	(100.0%)	(100.0%)
Total remuneration*	(30.7%)	(19.5%)

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

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

Total shareholder return (ten years)

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



Historical Chief Executive remuneration

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

H R Chae	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chief Executive single figure of remuneration (£)	189,238*	521,973	598,288	993,945	1,169,004	854,681	3,225,419	3,472,881	2,355,138	**1,234,721**
Annual bonus payout (% of target)	0%	61%	66%	76%	100%	100%	100%	100%	60%	**0%**
LTIP vesting (% of maximum opportunity)	n/a	n/a	n/a	100%	0%	0%	100%	100%	100%	**100%**

* Reflects remuneration from appointment on 7 September 2009 to 31 March 2010

Directors' service contracts

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

	Effective date of service contract/ letter of appointment	Unexpired term at 31 March 2019	Notice period
Executive Directors			
H R Chae	7 September 2009	–	12 months
O Zahn	1 October 2018	–	12 months
S Demirdogen	21 January 2019	–	6 months
J Doherty	21 January 2019	–	6 months
G S Hardcastle[1]	1 February 2016	–	–
Non-Executive Directors			
L C Pentz	3 January 2017	1 year, 4 months	3 months
D C Blackwood	1 May 2016	4 months	3 months
P Guyot	8 January 2018	2 years, 4 months	3 months
B McAtamney	1 February 2018	2 years, 4 months	3 months
J Thompson	21 January 2019	3 years, 4 months	3 months
R J Perry[2]	2 June 2005	–	–
M T Sawkins[3]	1 January 2015	–	–

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

2 Retired 17 July 2018

3 Retired 31 December 2018

Statement of shareholder voting

The results of the vote on the Remuneration Report at the Company's 2018 Annual General Meeting are set out in the table below:

Votes cast	Votes for		Votes against		Votes withheld
Number	Number	%	Number	%	Number
87,551,771	85,332,462	97.47	2,219,309	2.53	7,118

Relative importance of spend on pay

The table below sets out the actual expenditure of the Company and difference in spend in 2018 and 2019 on total pay costs of the Group's employees, trading profit before income tax and distributions to shareholders:

	For the year to 31 March 2019 £m	For the year to 31 March 2018 £m	% change
Total employee pay	**68.7**	67.3	2.1%
Trading profit	**38.2**	34.5	10.7%
Dividend	**3.7**	3.0	23.3%

Directors' shareholdings and interests in shares

The following table sets out the shareholdings and beneficial interests of the Directors and their connected persons in Scapa's shares as at 31 March 2019 and 31 March 2018:

	31 March 2019					31 March 2018				
	Shares	SAYE		Performance Share Plan		Shares	SAYE		Performance Share Plan	
H R Chae	871,767	2015/16	–			1,127,104	2015/16	5,660		
		2018/19	3,296	2015/16	–				2015/16	192,683
				2016/17	152,613				2016/17	152,613
				2017/18	92,827				2017/18	92,827
				2018/19	106,991					
O Zahn[1]	1,000		–	2018/19	70,855	–		–		–
S Demirdogen[2]	5,000		–	2018/19	48,986	–		–		–
J Doherty[3]	–		–	–	–	–		–		–
L C Pentz	10,000					10,000				
D C Blackwood	15,128					15,128				
P Guyot	15,000					–				
B McAtamney	14,150					–				
J Thompson[4]	–									
M T Sawkins[5]	–					30,231				
G S Hardcastle[6]	–			2016/17	–	35,000			2016/17	92,803
				2017/18	–				2017/18	52,743
				2018/19	–					
R J Perry[7]	–					300,000				
	932,045		3,296		472,272	1,517,463		5,660		583,669

1 Appointed as Chief Financial Officer 1 October 2018

2 Appointed as an Executive Director 21 January 2019

3 Appointed as an Executive Director 21 January 2019

4 Appointed as a Non-Executive Director 21 January 2019

5 Retired 31 December 2018

6 Retired from the Board 1 October 2018 and from the Company 30 November 2018

7 Retired 17 July 2018

Loss of office payments

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

Movements in share price during the year

The mid-market price of the Company's shares at the end of the financial year was 284.0p and the range of mid-market prices during the year was between 275.8p and 509p.

Advice received by the Committee

During the year, the Remuneration Committee was also assisted in its work by Deloitte LLP which was appointed by the Board. The advice provided to the Remuneration Committee was limited to technical advice on the reporting regulations in connection with the disclosure of Directors' remuneration, market practice developments in executive pay and the operation of Scapa's share plans. The Board took into account the Remuneration Consultants Group's Code of Conduct when reviewing the appointment of Deloitte LLP and also took into account Deloitte LLP role as external auditor. Following consultation with the Board, and consideration of the self-review, self-interest and management threats to independence, the Remuneration Committee concluded that Deloitte should be retained as advisers to the Remuneration Committee. As Deloitte is the external auditor to the Company, Deloitte's advice to the Remuneration Committee is governed by certain guidelines and safeguards. The Remuneration Committee will continue to review the objectivity and independence of this engagement, having regard to the non-audit services policy of the Company.

Deloitte LLP's fees for providing advice to the Company during the year were charged on a time and materials basis and were £30,600 (+VAT). The Remuneration Committee is satisfied that all advice received was objective and independent.

Statement of implementation of Remuneration Policy in the following financial year

Components of remuneration

Effective from 1 January 2019, the salary of Heejae Chae, Chief Executive Officer, is £463,000.

The salary of the Chief Financial Officer is £350,000 with effect from 1 April 2019 and will be reviewed with effect from 1 June 2020.

The salary of the President & Executive Vice-President is US$400,000 with effect from 21 January 2019 and will be reviewed with effect from 1 June 2020.

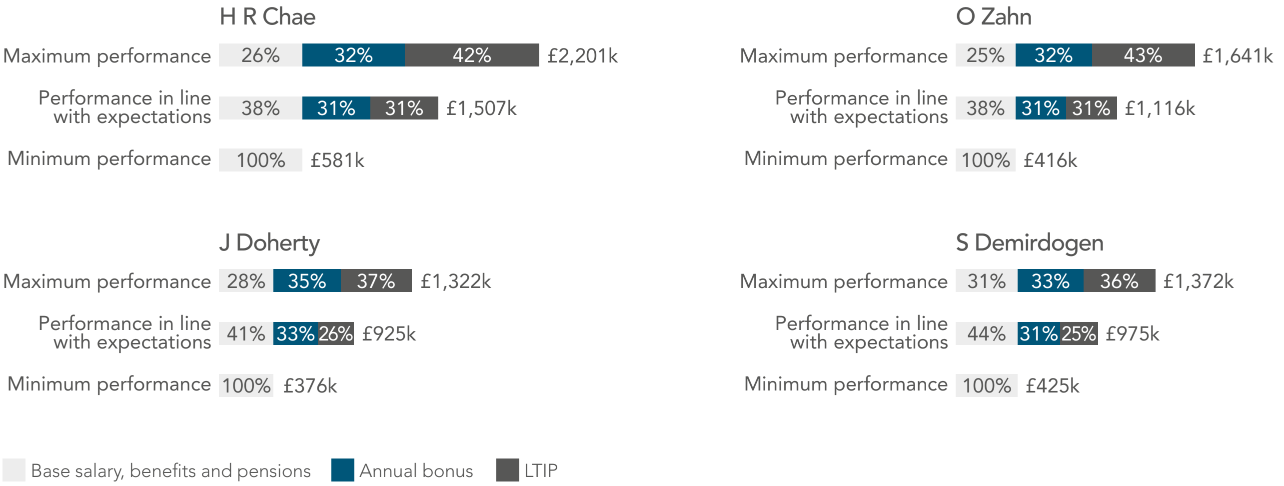
The salary of the Healthcare President is US$400,000 with effect from 21 January 2019 and will be reviewed with effect from 1 June 2020.

Pension and benefits are in line with policy.

Under the Company's annual bonus plan, the performance measure was the Group's gateway target. Targets are not disclosed, as the Board considers the nature of that information to be commercially sensitive.

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

Long-term incentive awards of up to 150% of salary are expected to be made to all Executive Directors in the financial year ending 2020.



Illustrations of application of Remuneration Policy for 2019/20

In illustrating the potential reward, it has been assumed that the LTIPs and bonuses have been awarded in June 2019, together with the following further assumptions:

	Fixed Pay	Annual bonus	LTIP*
Minimum performance	Fixed elements of remuneration only – base salary (being salary as at 1 April 2019), benefits as disclosed in the single figure table on page 65 for the year 2018/19 (annualised where necessary) and pension	No bonus	No LTIP vesting
Performance in line with expectations		100% of salary awarded for achieving target performance	80%–100% of award vesting for achieving adjusted EPS target
Maximum performance		150% of salary awarded for achieving target performance	160%–200% of award vesting for achieving adjusted EPS target

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

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 21 May 2019 and signed on its behalf by:

J Thompson
Chairman of the Remuneration Committee
21 May 2019

Other disclosures

Pages 72 to 74 inclusive (together with sections of the Annual Report incorporated by reference) constitute a Directors' Report that has been drawn up and presented in accordance with applicable English company law and the liabilities of the Directors in connection with that report are subject to the limitations and restrictions provided by that law.

Principal activities and business review

Scapa Group plc is the holding company for a global group of companies operating in the manufacture of bonding products and adhesive components for applications in the Healthcare and Industrial markets. A review of the performance and future development of the Group's business is contained on pages 1 to 42 and forms part of this report.

Results and dividends

Trading profit was £38.2m (2018: £34.5m), an increase of £3.7m. Exceptional expenses in the year were £12.8m (2018: £0.1m income). No interim dividend was paid to shareholders (2018: £Nil). The Directors recommend payment of a final dividend of 2.9p (2018: 2.4p).

A profit before tax of £14.9m (2018: £28.8m) was recorded for the year ended 31 March 2019, with basic and diluted earnings per share of 5.3p and 5.2p respectively (2018: 15.4p and 14.8p respectively).

Going concern

In presenting the annual and interim financial statements, the Directors aim to present a fair, balanced and understandable assessment of the Group's position and prospects. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. In arriving at this conclusion, the Directors have considered the committed facility and assume that the facility can be operated as contracted for at least twelve months from the date of this report because there is sufficient headroom in the facility covenants. The facility is not repayable until October 2022. In performing this analysis, the Directors reviewed downside sensitivity analysis over the forecast period, thereby taking into account the uncertainties arising from the current economic climate. The Group continues to adopt the going concern basis in preparing the financial statements.

Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in notes 25 and 26 to the Group financial statements on pages 113 to 115. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at General Meetings of the Company.

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

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

Subject to the provisions of the Company's Articles of Association and the Companies Act 2006, at a General Meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought at the Annual General Meeting on 23 July 2019 are set out in the Notice of Annual General Meeting.

Major interests in shares

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

Name	No. of shares	% Issued share capital
Octopus Investments Ltd	15,665,410	10.13%
Paradice Investment Mgt	14,162,433	9.16%
The Capital Group Companies Inc	14,068,326	9.10%
Investec Group	7,794,533	5.04%
Canaccord Genuity Group Inc	7,743,769	5.01%
Discretionary Unit Fund Managers	6,250,000	4.04%
Sanford DeLand Asset Mgt	5,385,000	3.48%
Charles Stanley Group	5,351,854	3.46%
Franklin Resources	5,270,000	3.41%
Janus Henderson Group plc	5,248,573	3.39%

Share options

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in notes 25 and 26 to the Group financial statements.

Purchase of own shares

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

Annual General Meeting

The Annual General Meeting will be held on 23 July 2019 at the Village Hotel, Pamir Drive, Ashton-under-Lyne, Tameside, Manchester OL7 0PG. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in a separate document.

Significant agreements: change of control

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

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office on a change of control.

Takeover directive
The Company has only one class of ordinary share and these shares have equal voting rights. A description of each Director's holding is disclosed on page 70. There are no other significant holdings of any individual.

Board of Directors
The names and biographical details of each Director are shown on pages 44 to 45.

At the Annual General Meeting, to be held on 23 July 2019, Juliet Thompson, Oskar Zahn, Sevan Demirdogen and Joe Doherty will offer themselves for election. All other members of the Board will offer themselves for re-election.

Appointment and replacement of Directors
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles of Association, which can be found in the Group Corporate Governance section of the Company's website (www.scapa.com) and the Corporate Governance Statement on pages 46 to 50.

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

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

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

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

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

The 2015 Sharesave three-year share option scheme matured on 1 September 2018. A new 2018 Sharesave three-year share option scheme was launched in March 2019 with a maturity date of 1 March 2022. At 31 March 2019, 244 employees were members of the scheme with options over 487,991 shares. Details of the Executive Directors' options are set out on page 70.

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

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

Greenhouse gas emissions
Information regarding the Company's use of greenhouse gas emissions is described in the Sustainability Report on page 41.

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

Financial risk management
The Group's approach to managing financial risk is covered in note 21 to the Group financial statements.

Political donations
No political donations were made during the year (2018: £Nil).

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

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

UK Corporate Governance Code
The Company's statement on Corporate Governance can be found in the Corporate Governance Report on pages 46 to 50. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

By order of the Board

W Baker
Company Secretary
21 May 2019

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

Directors' responsibilities

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

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

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

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

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

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 21 May 2019 and is signed on its behalf by:

By order of the Board

H R Chae
Group Chief Executive

O Zahn
Chief Financial Officer
21 May 2019

Independent auditor's report to the members of Scapa Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Scapa Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the Group accounting policies; and
- the related consolidated notes 1 to 29 and parent company notes 1 to 14.

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

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Inventory valuation – risk of obsolescence of inventory in relation to stock builds at the Knoxville and Dunstable sites • Acquisition accounting – valuation of separately identified intangible assets and fair value of consideration • Accounting for and presentation of unusual/infrequently occurring items Within this report, any new key audit matters are identified with ↗ and any key audit matters which are the same as the prior year identified with –.
Materiality	The materiality that we used for the group financial statements was £1.1 million which was determined on the basis of 4.0% of adjusted profit before tax.
Scoping	Based on our scoping assessment, our audit work covered 74% of the Group's profit before tax, 85% of the Group's revenue and 89% of the Group's net assets.
Significant changes in our approach	In the current year the Group acquired 100% of the share capital of Systagenix Wound Management Manufacturing Limited ("Systagenix") for total consideration of £69.8m. We have included Systagenix as a full scope component for the current year and have included the related acquisition accounting as a key audit matter.

Conclusions relating to going concern, principal risks and viability statement

Going concern

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

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

Conclusions relating to going concern, principal risks and viability statement continued

Going concern continued

We state whether we have anything material to add or draw attention to in relation to that statement that would be required by Listing Rule 9.8.6R(3) if the Company had a premium listing and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

Principal risks and viability statement

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

- the disclosures on pages 27 to 30 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 31 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 31 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We also report whether the directors' statement relating to the prospects of the Group that would be required by Listing Rule 9.8.6R(3) if the company had a premium listing is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

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

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

In the current year we have pinpointed the inventory valuation risk to the valuation of inventory given the deliberate stock builds at the Group's Knoxville and Dunstable sites ahead of the planned consolidation of sites at Knoxville and closure of Dunstable and therefore the increased risk of obsolescence.

Inventory valuation	
Key audit matter description	Inventory is a significant balance sheet caption with gross stock of £51.4 million (2018: £38.4 million) and provisions of £5.5 million (2018: £3.4 million) held by the Group at year end. The Group's accounting policy for inventories is included within the accounting policies note, detail of inventory held at year end is included in note 16. Details of the Audit and Risk Committee's assessment of inventory valuation is disclosed on page 53. In the current year the Group has announced the closure of its Dunstable site and restructuring and consolidation of its US sites with the closure of its Inglewood and Liverpool sites and transfer in to the new purpose built site in Knoxville. As part of this restructuring there have been significant stock builds of £2.9 million at Knoxville and Dunstable to maintain business operations during the production shut downs planned as part of the transfers. The increased stock levels without specific customer orders leads to an increased risk of obsolescence and a specific risk arising in relation to the valuation of inventory at these sites. Judgement is needed to calculate the level of inventory provisions for aged, obsolete and/or damaged stock to ensure that the inventory held by the Group is held at the lower of cost and net realisable value in line with the requirements of IAS 2.
How the scope of our audit responded to the key audit matter	We assessed the design and tested the implementation of the key controls in the inventory cycle. We reviewed copies of the order book for the relevant sites and performed tests of detail to compare the level of stock held to the open orders for those stock items. We also performed tests of detail to confirm the accuracy and completeness of the order book. We assessed the shelf life of a sample of products in the stock builds to challenge whether there is sufficient time to sell the product prior to its expiry date. We compared the year end stock value to historic norms to identify the increase in stock levels and assessed the completeness of the stock build data. We also challenged whether the Group provisioning policy remains appropriate given the stock builds.
Key observations	We concluded that the value of inventory held is appropriate and in line with the requirements of IAS 2. We are satisfied that the judgements made by management in calculating the provisions in place and the value of inventory held in relation to the stock builds at year end are reasonable based on the audit evidence obtained.

Key audit matters continued

Acquisition accounting

Key audit matter description	On 1 October 2018, the Group acquired 100% of the share capital of Systagenix Wound Management Manufacturing Limited ("Systagenix") from Acelity L.P. Inc ("Acelity") for cash consideration of £34.0m. In addition, deferred consideration in the form of a contract liability provision of £35.8m was recognised. This relates to a five-year discounted Manufacturing Supply Agreement with Acelity for Systagenix advanced wound care products as detailed in note 12. The transaction is disclosed in the critical judgements section of the accounting policies note, note 12 and on page 53 of the Audit and Risk Committee's report. The consideration paid and the net assets acquired as part of the transaction need to be recognised at fair value and there is judgement involved in these, specifically around the valuation of the consideration payable for the discounted supply agreement and the intangible assets acquired.
How the scope of our audit responded to the key audit matter	We assessed the design and tested the implementation of key controls in relation to acquisition accounting. We challenged the assumptions in relation to the recognition and valuation of the contract liability provision based on the expected fair value of the discount given, specifically challenging assumptions in relation to expected costs of manufacture. We also challenged expected margin to be achieved by comparing to internal margin achieved on other similar products and benchmarking against other similar companies. We assessed the rationale used by management in the identification of intangible assets acquired. We assessed the assumptions underpinning the discounted cash flow forecasts used to value the intangible assets acquired by challenging the assumed revenue from new customers and benchmarking the discount rate used.
Key observations	We concluded that the fair value of assets and liabilities acquired and the valuation of deferred consideration are appropriate in line with the requirements of IFRS 3. We concluded that the intangible assets identified are appropriate and the assumptions used in calculating the value assigned to these assets are reasonable.

Accounting for and presentation of unusual/infrequently occurring items

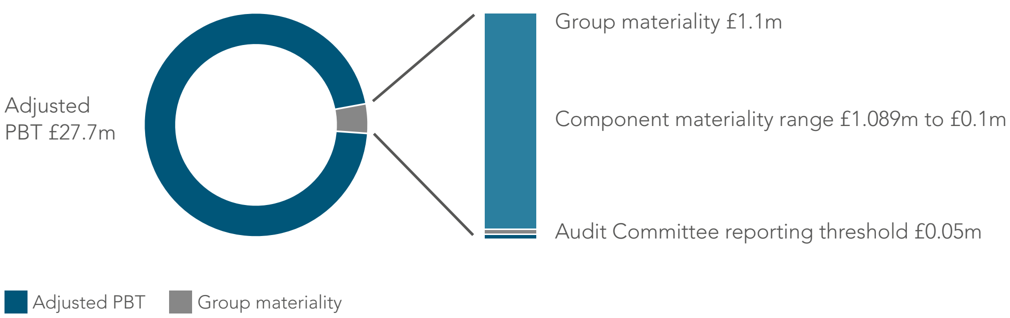
Key audit matter description	A number of items have been identified as exceptional by the Group in the current year. These have a net income statement impact of £12.8 million charge (2018: £0.1 million gain). These comprise costs of £19.6 million and income of £6.8 million, as disclosed in the accounting policies note and note 4. The Audit and Risk Committee's assessment of exceptional items is disclosed on page 53. Exceptional items relate to: • the release of deferred consideration recognised on a prior year acquisition; • the closure of the Dunstable, Inglewood and Liverpool sites and related restructuring and consolidation of the healthcare sites; • the impact of Guaranteed Minimum Pensions ("GMP") equalization; and • impairment of goodwill in relation to the First Water cash generating unit. The term 'exceptional' is not defined in IFRS however IAS 1 does allow for the separate presentation of items when such presentation is relevant to an understanding of the Group's financial performance. There is judgement required in deciding which items are significant enough, either through quantum or by nature to show separately as exceptional items in the income statement. There is also judgement in whether the narrative in the front half of the accounts appropriately explains the classification of these items as exceptional and whether there is sufficient balance of presentation between statutory measures and Alternative Performance Measures.
How the scope of our audit responded to the key audit matter	We assessed the design and the implementation of key controls in relation to the accounting for and presentation of unusual/infrequently occurring items. We have challenged the types of costs incurred in the year by performing substantive testing and agreeing a sample of costs to supporting evidence. We have assessed the income statement presentation of any items included as exceptional to determine whether showing these items separately in the income statement as exceptional is compliant with the principles of IAS 1. We have also challenged whether all costs and income meet the Group's exceptional policy as disclosed in the accounting policies note by assessing the balances management have included within trading profit and not presented as exceptional.
Key observations	We concluded the presentation of items described as exceptional in the income statement meet the requirements of IAS 1 and the Group's accounting policy. We have also concluded that the disclosures made in the Annual Report & Accounts are in line with the requirements of IAS 1.

Our application of materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£1,100,000 (2018: £1,300,000)	£1,089,000 (2018: £1,287,000)
Basis for determining materiality	4.0% of adjusted profit before tax (2018: 4.9% of adjusted profit before tax).	The basis of materiality is net assets, taking into account the Group materiality, the materiality is approximately 0.6% (2018: 0.7%) of net assets.
Rationale for the benchmark applied	Profit before tax is used as the benchmark for materiality as it is considered the critical performance measure of the Group. In line with the prior year, the current year profit before tax has been adjusted for exceptional items incurred in the year related to deferred consideration release (£6.8 million income), site closure costs (£14.0 million expense), goodwill impairment (£4.6 million expense) and GMP equalisation (£1.0 million expense) as disclosed in note 4 of the accounts.	The entity's primary operation is to act as a holding company for the Group. In line with the prior year approach, equity has been taken as the benchmark for materiality.



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £50,000 (2018: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The increase in the current year was agreed due to differences below £50,000 having no impact on the Group accounts as they are presented to the nearest £0.1 million. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at twelve (2018: eleven) components.

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

On 1 October 2018, the Group acquired 100% of the share capital of Systagenix; in addition to recognising a key audit matter in relation to the acquisition accounting related to this transaction, we have included Systagenix as a full scope entity for the current year.

Given the nature of the Group's corporate structure, where all evidence relating to each component is compiled at the Group's central European shared service centre, the Group audit team undertook all the audit work for five (2018: four) of the European full scope components. In addition the Group audit team performed audit work for the US and Canadian locations and visited those components. The work on all seven (2018: six) of these full scope components was led by the senior statutory auditor. The senior statutory auditor also led the audit work performed on two (2018: two) of the components subject to an audit of specified account balances.

Nine (2018: eight) of the components were subject to a full audit, whilst three (2018: three) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. Component materiality levels ranged from £1,089,000 (2018: £1,287,000) to £104,000 (2018: £102,000).

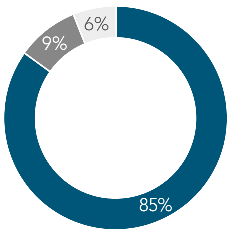
In terms of the two full scope components for which the audit work was not led by the senior statutory auditor we included the component audit teams in our team briefing, discussed their risk assessment, attended relevant close meetings and reviewed documentation of the findings from their work.

An overview of the scope of our audit continued

The components which were subject to a full scope audit represent the Group's principal business units and account for 85% (2018: 86%) of the Group's revenue, 89% (2018: 89%) of the Group's net assets and 74% (2018: 80%) of the Group's profit before tax (offset on consolidation by losses elsewhere in the Group). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The other components subject to more limited audit procedures cover a further 9.4% (2018: 8.9%) of the Group's revenue, 11.5% (2018: 8.0%) of the Group's net assets and 28.0% (2018: 20.0%) of the Group's profit before tax.

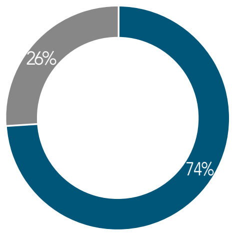
The parent company is located in Manchester, UK and audited directly by the group audit team. At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated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

Revenue



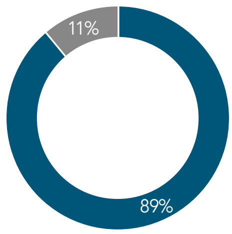
Full audit scope
Specified audit procedures
Review at group level

Profit before tax



Full audit scope
Specified audit procedures and review at Group level

Net assets



Full audit scope
Specified audit procedures and review at Group level

Other information

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

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

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

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Opinion on other matter prescribed by our engagement letter

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

Use of our report

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

Christopher Robertson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
21 May 2019

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	1	**311.8**	291.5
Operating profit	1, 3	**16.8**	30.7
Trading profit*		**38.2**	34.5
Amortisation of intangible assets		**(6.0)**	(3.3)
Exceptional items	4	**(12.8)**	0.1
Acquisition costs		**(2.0)**	–
Pension administration costs		**(0.6)**	(0.6)
Operating profit		**16.8**	30.7
Net finance costs	8	**(1.9)**	(1.9)
Profit on ordinary activities before tax		**14.9**	28.8
Taxation charge	9	**(6.7)**	(5.3)
Profit for the year		**8.2**	23.5
Weighted average number of shares	10	**154.1**	153.1
Basic earnings per share (p)	10	**5.3**	15.4
Diluted earnings per share (p)	10	**5.2**	14.8
Adjusted earnings per share (p)**	10	**18.9**	18.2

* Profit before tax, before net finance costs, exceptional items, amortisation of intangible assets, acquisition costs and legacy pension costs

**Adjusted earnings per share is calculated by dividing the trading profit less 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	24	**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

The notes on pages 92 to 117 form part of these financial statements.

Consolidated Balance Sheet

as at 31 March 2019

	Note	31 March 2019 £m	31 March 2018 £m
Assets			
Non-current assets			
Goodwill	13	**108.3**	67.2
Intangible assets	14	**10.8**	11.0
Property, plant and equipment	15	**81.0**	45.6
Deferred tax asset	9	**4.3**	5.2
Other receivables		**0.2**	0.2
		204.6	129.2
Current assets			
Inventory	16	**45.9**	35.0
Trade and other receivables	17	**69.2**	58.8
Current tax asset		**1.1**	0.2
Cash and cash equivalents	18	**10.8**	18.1
		127.0	112.1
Liabilities			
Current liabilities			
Financial liabilities:			
– Borrowings and other financial liabilities	20	**(12.2)**	(1.0)
Trade and other payables	19	**(58.5)**	(57.2)
Deferred consideration		**–**	(2.9)
Current tax liabilities		**(1.2)**	(2.7)
Provisions	23	**(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	20	**(54.8)**	(21.5)
Trade and other payables	19	**(0.6)**	(0.1)
Deferred consideration		**–**	(3.5)
Deferred tax liabilities	9	**(6.0)**	(4.5)
Non-current tax liabilities		**(3.8)**	(2.9)
Retirement benefit obligations	24	**(8.4)**	(21.0)
Provisions	23	**(28.1)**	(2.9)
		(101.7)	(56.4)
Net assets		**139.4**	118.9
Shareholders' equity			
Ordinary shares	25	**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

The notes on pages 92 to 117 form part of these financial statements. These financial statements were approved by the Directors on 21 May 2019.

H R Chae
Group Chief Executive

O Zahn
Chief Financial Officer

Registered in England No. 826179

Consolidated Statement of Changes in Equity

for the year ended 31 March 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	27	**20.4**	31.1
Cash generated from operations before exceptional items	27	**23.3**	34.7
Cash outflows from exceptional items	27	**(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	12	**(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	18	**10.8**	18.1

* Gain on disposal treated as exceptional income

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 21 May 2019.

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

Basis of preparation

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

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for twelve months from the date of this report. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 72 and in the Viability Statement on page 31.

Early adoption of Standards

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

Adoption of new and revised Standards

The following new standards have been adopted in the year:

IFRS 9 Financial Instruments

The Standard was adopted on 1 April 2018, replacing IAS 39 Financial Instruments. This Standard covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model. IFRS 9 requires the Group to recognise expected credit losses and to update these estimates periodically to reflect changes in the credit risk of financial assets. The Group transition to this Standard has not had a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

The Standard was adopted on 1 April 2018, replacing IAS 11 Construction Contracts and IAS 18 Revenue. This Standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. The Group transition to this standard has not had a material impact on the financial statements.

The following amendments have been adopted in the year:

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
IAS 40 (amendments) Transfers of Investment Property
Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 28 Investments in Associates and Joint Venture
IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

IFRS 16 Leases
IFRS 17 Insurance Contracts
Amendments to IFRS 9 Prepayment Features with Negative Compensation
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
Annual improvements to IFRS Standards 2015-2017 Cycle, Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits, Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture
IFRIC 23 Uncertainty over Income Tax Treatments

Adoption of new and revised Standards continued

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

IFRS 16 is effective for annual periods beginning 1 January 2019 and will replace IAS 17 Leases. It will introduce changes to lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at the commencement of all leases. Leases previously classified as operating leases with lease payments recorded in the Consolidated Income Statement will now be included in the Consolidated Balance Sheet.

The Group has elected to apply the modified retrospective transition approach which requires no restatement of comparative amounts for the year ended 31 March 2018. Whilst the Group is party to approximately 200 leases, a large proportion of these are short-term in nature and not individually material in value. The Group has elected to apply a practical expedient which excludes lease agreements which are short-term in nature or low value from being recognised as leases according to IFRS 16.

IFRS 16 application will result in an increase in non-current assets and financial liabilities due to the recording of the right-of-use asset and future lease liabilities. Operating profit is expected to increase, although this increase is offset by higher interest expense resulting in an insignificant impact on profit before tax. EBITDA will increase due to the replacement of the operating lease expense with amortisation of the leased assets.

The Group estimates that upon transition on 1 April 2019, the Group will recognise a right-of-use lease asset that is expected to be between £8.0m and £10.0m and a financial lease liability that matches the right-of-use asset.

Operating profit is expected to increase between £0.2m and £0.4m. Depreciation of the right-of-use asset will be recognised in the Income Statement on a straight line basis, with interest recognised on the lease liability. These charges will replace the lease costs currently charged to the Income Statement. An increase in finance costs is expected to increase between £0.4m and £0.5m. Earnings per share are not expected to change materially as a result.

The Group results announcement for the half year ending 30 September 2019 will be the first to be prepared under IFRS 16.

Consolidation

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

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

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

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

The Group has an interest in Scapa Scottish Limited Partnership, whose head office is located at 13 Queens Road, Aberdeen AB15 4YL. The financial statements of the Group include the results and financial position of the Group's interest in Scapa Scottish Limited Partnership. Accordingly advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008 from the requirements for the preparation, delivery and publication of the partnership's accounts.

Segmental reporting

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

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

Revenue recognition

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

(a) Sales of goods*

Sales of goods are recognised when the all performance obligations have been completed and when the Group entity has no continuing managerial involvement nor effective control over the goods.

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

Revenue recognition continued

(b) Development and quality programme income*

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

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

(c) Interest income

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

Trading profit

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

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

Exceptional items

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

Operating profit

Operating profit is trading profit stated after charging exceptional costs, acquisition costs, legacy pension costs and the amortisation of intangible assets, but before net finance costs.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Leases in which substantially all of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised as assets and liabilities in the Balance Sheet at the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount rate in calculating the present value of the cash outflows. Where the Group does not obtain ownership of the asset at the end of the lease period, the asset is depreciated over the shorter of its useful life and the lease term. Where ownership does pass to the Group at the end of the lease period, the policy for depreciating the asset is consistent with that for depreciable assets that are owned.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is calculated based on the amount of borrowing outstanding, and is charged against profits over the primary lease period.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relate to tangible fixed assets and are treated as deferred income, and are credited to the Income Statement over the expected useful lives of the assets concerned.

Research and development expenditure

Research expenditure is expensed as incurred. Costs associated with developing or enhancing existing product lines are recognised as an expense as incurred. Development costs are assessed as to whether they meet the IAS 38 criteria for capitalisation. Upon meeting the IAS 38 criteria these costs are capitalised.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign currency translation continued

(c) Group companies

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

i) assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet; and

ii) income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

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

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

Business combinations and goodwill

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

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

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

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

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each site.

Property, plant and equipment (including land and buildings)

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as follows:

- Freehold buildings: 40 years
- Leasehold buildings: life of the lease
- Plant and machinery: 5–20 years
- Furniture, fittings and equipment: 5–20 years
- IT systems: 3–8 years

Assets held in the course of construction are not depreciated until they are brought into use.

Following the acquisition of Systagenix Wound Management Manufacturing Ltd in October 2018 the Group now has one type of asset where depreciation is calculated on a 20% reducing balance basis. This asset is classified within plant and machinery.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement within operating profit.

Assets held for sale
Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale or transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain interest in its former subsidiary after the sale.

Internally generated intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Internally generated intangible assets arising from development are recognised only if all of the following conditions have been demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use;
- The intention to complete and use the asset;
- How the asset will generate probable future economic benefit;
- The availability of adequate technical, financial and other resources to complete the development and to use the asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the same as the expenditure incurred from the date when the asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment.

Intangible assets
All acquired intangible assets are measured at cost and are amortised on a straight-line basis over their estimated useful lives. All of the Group's intangible assets have finite lives, the lengths of which are disclosed separately under the notes in the accounts.

Impairment of assets
Assets, such as goodwill, that have an indefinite useful life are not subject to amortisation and instead are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value in use is determined based on the estimated future cash inflows and outflows derived from the continued use of the asset and from its ultimate disposal. These forecasts form the basis of the Group's annual budget, have been signed off by the Board and are the best estimates available to management in assessing future profitability. These cash flows are discounted using the Group's pre-tax weighted average cost of capital of 10.0% (2018: 10.0%) and are adjusted for specific risk factors that take into account the sensitivities of the projection.

Where the recoverable amount of assets (other than goodwill) subsequently materially increases, impairment losses recognised in previous periods will be reversed.

Financial instruments
The Group has financial instruments in the form of loans, receivables and payables.

Loans, receivables and payables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor or creditor with no intention of trading the receivable or payable. They are included in current assets or liabilities, except for maturities greater than twelve months after the Balance Sheet date. These are classified as non-current assets or liabilities. Loans and receivables are included in trade and other receivables or trade and other payables in the Balance Sheet. Loans, receivables and payables are measured at invoice or historical cost less any impairment, calculated on an expected loss basis.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads allocated on a systematic basis (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow moving and defective inventory on a line by line basis, or by grouping similar or related items, by reference to accumulated experience.

Trade receivables
Trade receivables are recognised initially at invoice value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The provision is recognised in the Income Statement as an operating charge.

Insurance receivables
Where some or all of the cost of a provision is reimbursed by another party, the Group recognises that reimbursement when it is virtually certain it will be received.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Share capital
Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or in respect of interim dividends when approved by Directors.

Trade payables
Trade payables are recognised at the invoice amount, which is equal to their fair value.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Interest charges are recognised in the Income Statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least twelve months after the Balance Sheet date.

Taxation
Taxation expense, comprising both UK and non-UK taxation, represents the sum of the current tax payable and deferred tax.

Current tax is the tax expected to be payable on taxable profit for the period using tax rates that have been enacted or substantively enacted by the Balance Sheet date, together with any adjustments in respect of previous years. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are not taxable or deductible or are taxable or deductible in other years.

Deferred tax is recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, unless specifically exempt. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised. The resulting charge or credit is recognised in the Income Statement except when it relates to items recognised directly in equity, in which case the charge or credit is also recognised directly in equity.

Dividends
Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the Annual General Meeting.

Employee benefits
(a) Pension obligations
Group companies operate various pension schemes. The schemes are funded through payments to Trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' equity. Past service costs are recognised immediately in the Income Statement.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee benefits continued

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is calculated using appropriate valuation models and is recognised as an expense over the vesting period.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each Balance Sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Holiday pay

The Group recognises an asset or liability relating to holiday pay obligations at the Balance Sheet date. Movements in the period are taken to the Income Statement.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a pre-determined formula for key performance indicators. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where the effect is material, provisions are discounted in line with IAS 37 using a pre-tax nominal discount rate. The discount rate does not reflect risks for which the estimated future outflows have already been adjusted.

Critical accounting estimates and judgements

The Group's accounting policies have been set by management and approved by the Audit and Risk Committee. The application of these accounting policies to specific scenarios requires reasonable estimates and assumptions to be made concerning the future. These are continually evaluated based on historical experience and expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Under IFRSs estimates or judgements are considered critical where they involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involves matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, the Directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below) and has been identified as being particularly complex or involving subjective assessments:

- On 1 October 2018 the Group acquired 100% of the share capital of Systagenix Wound Management Manufacturing Ltd for a cash consideration of £34.0m and entered into an exclusive Manufacturing Supply Agreement as part of the acquisition. Determining whether this supply agreement forms part of the consideration and in addition determining the fair value of the goods being sold under the agreement that underpins its valuation are critical judgements in the application of the Group's accounting policies.

(b) Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

- Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future assumptions in relation to the discount rate applied in the calculation of scheme liabilities, which are set out in note 24, represent a key source of estimation uncertainty for the Group. The Group also applies sensitivities to these assumptions to assess the financial impact; these sensitivities are set out in note 24.

1. Segmental reporting

Business unit segments

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

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

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

Segment results

The segment results for the year ended 31 March 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.

1. Segmental reporting continued

Segment results continued

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

2. Segment assets and liabilities

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

3. 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	**(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.

4. 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 has 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 cost 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 relate to the exit of production from Korea: £2.9m closure and associated transfer costs; 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.

5. 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 (note 24)	**2.7**	2.2
Pension costs – defined benefit plans (note 24)	**0.2**	0.2
	68.7	67.3
Pension GMP equalisation (note 4)	**1.0**	–
	69.7	67.3

5. Employee benefit expense continued

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

6. Key management compensation and Directors' remuneration

	2019				2018			
	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m	Executive Directors £m	Non-Executive Directors £m	Key management £m	Total £m
Short-term employment benefits	**1.6**	**0.3**	**1.2**	**3.1**	2.2	0.3	2.5	5.0
Post-employment benefits	**0.1**	**–**	**0.1**	**0.2**	0.1	–	0.1	0.2
Termination benefits	**–**	**–**	**0.1**	**0.1**	–	–	–	–
Share-based payments (including share incentive plan)	**0.6**	**–**	**0.2**	**0.8**	0.8	–	0.7	1.5
	2.3	**0.3**	**1.6**	**4.2**	3.1	0.3	3.3	6.7

Key management is considered by the Group to be the Executive Team, which comprises certain senior employees. Information about the remuneration of individual Directors is provided in the audited part of the Directors' Annual Remuneration Report on pages 65 to 71.

The short-term employment benefits include wages and salaries, bonuses, social security contributions and non-monetary benefits.

7. Related party transactions

The pension schemes are related parties to the Group. There were no contributions outstanding at the year end and full details of transactions within the pensions schemes are detailed in note 24.

8. 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 (note 24)	**(0.5)**	(0.7)
Net finance costs	**(1.9)**	(1.9)

9. 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.

9. Taxation continued

Income tax charge continued

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.

9. Taxation continued

Income tax charge continued

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 the 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

10. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares 158,386,377 (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

11. 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.

12. Acquisition of subsidiary

On 1 October 2018 the Group acquired 100% of the share capital of Systagenix Wound Management Manufacturing Ltd. 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 long-standing 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; and
- 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 before tax 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.

12. Acquisition of subsidiary continued

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 has 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. At 31 March 2019 the goodwill value is £13.9m

13. 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 of £14.7m (2018: £13.8m), Webtec of £16.0m (2018: £15.0m), First Water Limited of £2.1m (2018: £6.7m), EuroMed of £16.7m (2018: £15.6m), Markel Industries of £4.5m (2018: £4.2m), BioMed Laboratories of £13.9m (2018: £11.9m) and Systagenix of £40.4m.

13. Goodwill continued

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 Board approved twelve-month forecasts for each cash-generating unit. The base twelve-month projection is inflated by 0% to 10.0% up to year five, which management believes does not exceed the long-term average growth rate for the industry, and then is subject to a 0% to 1.0% growth and costs 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 is 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.

14. Other intangible assets

	Patents and development costs £m	Customer relationships £m	Customer lists and sales pipeline £m	Technology and know-how £m	Total £m
Cost					
1 April 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.

15. Property, plant and equipment

	Freehold land and buildings £m	Long leasehold buildings £m	Plant and machinery £m	Furniture, fittings and equipment £m	IT systems £m	Assets under construction £m	Total £m
Cost							
1 April 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 of £1.6m, US of £0.5m and Korea of £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.

16. 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.

17. 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 one month	**2.6**	1.2
Between one and three 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.

17. Trade and other receivables continued

Ageing of impaired trade receivables:

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

18. 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

19. 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.

20. 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%; and
- the facility has two covenants – the ratio of EBITDA to interest paid must be above 4:1, and the ratio of EBITDA to net debt must be less than 3.0.

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) (see note 21).

The Group has the following undrawn borrowing facilities:

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

21. Derivative financial instruments

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, liquidity risk and capital risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group finance department (in close co-operation with the business units) under policies approved by the Board of Directors.

21. Derivative financial instruments continued

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, arising from various currency exposures, primarily with respect to the US Dollar, the Canadian Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. As the Group has certain investments in foreign operations, these net assets are exposed to foreign currency translation risk.

To manage its foreign exchange risk the Group uses foreign currency bank balances, and makes occasional use of foreign currency forward contracts to avoid short-term fluctuations in currencies. In addition, purchases of large items of capital in foreign currency are covered by forward contracts at the point of authorisation.

Foreign exchange sensitivity

Taking the 2018/19 sales by currency, a 5% weakening/strengthening in the 2018/19 cumulative average rates for all currencies versus Sterling would have given rise to a +£13.5m/-£12.2m movement in sales respectively. The impact on pre-tax profit is affected by the mix of losses and profits in the various currencies. Taking the 2018/19 pre-tax profit mix, a 5% weakening/strengthening in 2018/19 cumulative average rates for all currencies would have given rise to a +£1.2m/-£1.1m movement in pre-tax profit.

Interest rate risk

The Group is exposed to interest rate risk as it has borrowings at floating rates. Interest rate risk is evaluated periodically to consider interest rate views and defined risk appetite, to seek to ensure that reasonable economic strategies are applied, by either positioning the Balance Sheet or protecting interest expense through different interest rate cycles.

Interest rate sensitivity

During the year to 31 March 2019 the Group has achieved a positive move to securing more of its bank borrowings in Sterling. This has resulted in the effective interest rate for bank loans reducing to 2.2% at 31 March 2019 from 3.1% at 31 March 2018 when all borrowings were held in US Dollars as the rate for borrowing in Sterling is lower than US Dollars. At 31 March 2019 the Group held £43.1m in Sterling and £11.6m in US Dollars. The impact of holding all bank borrowings in Sterling or US Dollars would reduce/increase the effective interest rate to 1.8%/3.6% as at 31 March 2019.

Commodity price risk

The Group is exposed to commodity price risk as it buys a number of commodity products that are vital to its production process. The Group mitigates this risk by fixing pricing with its suppliers where possible. The contracts entered into continue to be held for the purpose of the receipt of the commodity in accordance with the Group's expected purchase or usage requirements. There is no intention to re-sell the commodities bought. Following an internal assessment of price risk for the business that lies within operations, commodity price risk was removed from the principal risks of the business as it was not deemed to be a key risk.

Liquidity risk

The Group maintains a mixture of committed long-term and short-term facilities designed to ensure that the Group has sufficient cash funds available for operations and planned investment.

Liquidity tables

The following tables detail the Group's contractual maturity for financial instruments. The tables are drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Due within one year £m	One to two years £m	Two to five years £m
2019			
Trade payables and trade accruals	**44.1**	**–**	**–**
Other taxes and social security	**4.4**	**–**	**–**
Other creditors	**10.0**	**0.6**	**–**
Finance leases	**12.1**	**0.1**	**–**
Loans and overdrafts	**0.1**	**–**	**54.7**
	70.7	**0.7**	**54.7**

	Due within one year £m	One to two years £m	Two to five years £m
2018			
Trade payables and trade accruals	39.8	–	–
Other taxes and social security	4.9	–	–
Other creditors	12.5	0.1	–
Finance leases	0.1	0.1	–
Loans and overdrafts	0.9	–	21.4
	58.2	0.2	21.4

There are no items with a maturity greater than five years.

21. Derivative financial instruments continued

Liquidity tables continued

The following tables detail the Group's contractual maturity for financial assets. The tables are drawn up based on the undiscounted contracted maturities of those financial assets.

	Due within one year £m	One to two years £m	Two to five years £m
2019			
Receivables	**64.1**	**–**	**–**
Cash and cash equivalents	**10.8**	**–**	**–**
	74.9	**–**	**–**
2018			
Receivables	54.3	–	–
Cash and cash equivalents	18.1	–	–
	72.4	–	–

In accordance with IFRS 7 Improving Disclosures about Financial Instruments, the Group's financial instruments are considered to be classified as Level 2 instruments. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are spread across a number of financial institutions. The credit risk position for our major customers is detailed below. This shows a fairly predictable level of credit utilisation across the regions and years, and highlights that there is no concentration of credit risk with respect to trade receivables.

Europe

The top five customers by balance at 31 March 2019 had a total receivable of £2.3m, versus their cumulative credit limit of £2.3m. The top five customers at 31 March 2018 had a total receivable of £1.9m, versus their cumulative credit limit of £2.4m.

North America

The top five customers by balance at 31 March 2019 had a total receivable of £12.7m, versus their cumulative credit limit of £21.5m. The top five customers at 31 March 2018 had a total receivable of £12.1m, versus their cumulative credit limit of £19.2m.

Asia

The top five customers by balance at 31 March 2019 had a total receivable of £1.1m, versus their cumulative credit limit of £1.9m. The top five customers at 31 March 2018 had a total receivable of £1.0m, versus their cumulative credit limit of £1.5m.

22. Capital risk

The Group defines the capital that it manages as the Group's total equity. The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group must ensure that sufficient capital resources are available for working capital requirements and meeting principal and interest payments as they fall due. In order to ensure that sufficient capital is available, the Group may adjust the amount of new shares issued, return capital to shareholders, alter its dividend policy or dispose of assets to reduce net debt.

The Group monitors capital using the following main indicators:

Gearing ratio	2019	2018
Total equity (£m)	**139.4**	118.9
Total assets (£m)	**331.6**	241.3
Equity % ratio	**42%**	49%

Net debt to EBITDA ratio	2019	2018
Net debt (£m)	**(55.7)**	(3.8)
EBITDA (£m)	**45.9**	40.8
Net debt to EBITDA ratio	**1.21**	0.09

Net debt to EBITDA comprises net debt divided by trading profit before depreciation.

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22. Capital risk continued

EBITDA interest cover	2019	2018
EBITDA (£m)	**45.9**	40.8
Net interest payable (£m)	**(1.4)**	(1.2)
Interest cover – times	**33**	34

EBITDA interest cover comprises trading profit before depreciation, divided by net interest payable on bank overdrafts and loans, other loans and bank deposits.

The Group's principal loan covenants are: EBITDA interest cover (EBITDA being at least four times the net interest payable); and net debt to EBITDA ratio (net debt being less than 3.0 times adjusted EBITDA).

23. 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, the UK and the 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 provision
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.

24. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution schemes. Employer's contributions are charged to the Income Statement as incurred. The total pension cost for the Group in respect of these schemes for the year ended 31 March 2019 was £2.7m (2018: £2.2m). The assets of these schemes are held in independently administered funds.

Defined benefit schemes

The total amounts recognised in the Group financial statements for defined benefit schemes are summarised on pages 109 to 113.

(a) UK schemes

By far the largest defined benefit scheme in the Group is the Scapa Group plc Pension Scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employer, Scapa Group plc. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional Trustee.

The IAS 19 Retirement Benefits valuations have been updated from the prior year using the formal triennial actuarial valuation calculations carried out as at 1 April 2017 (completed in June 2018), in order to assess the liabilities of the schemes at 31 March 2019. Scheme assets are stated at their market value at 31 March 2019.

Funding arrangement

On 11 March 2013 Scapa Group plc entered into an asset-backed funding arrangement with the Trustees of the UK Pension Funds using Scapa Scottish Limited Partnership ("the Partnership") as a vehicle for this arrangement. The Partnership that was formed between the Group and the pension fund holds the income and capital rights to a Group asset. The Trustees of the UK Pension Funds will hold the income rights related to the asset over the life of the agreement with capital rights ultimately controlled by the Group.

The Partnership acquired income and capital rights to a Group asset in the form of an inter-company loan note and, under the terms of the Partnership, the Trustees have been granted rights to the interest payments on the inter-company loan note over the lifetime of the arrangement, which are backed by profits from Scapa's US business.

The scheme's interest in the Partnership entitles it to an annual distribution of £3.75m cash per annum subject to RPI indexation capped at 5% for 25 years or until the pension fund is in surplus. The Group's Balance Sheet, IAS 19 deficit and Income Statement are unchanged by the establishment of the Partnership. The investment held by the scheme in the Partnership does not qualify as a plan asset for the purposes of the Group's consolidated financial statements and is therefore not included within the fair value of plan assets.

The Group pays the administration costs of the scheme of £0.35m per year subject to RPI indexation, and pays non-administration costs as agreed on a project by project basis with the Trustee.

Total cash payments in the year, including both deficit repair and expenses, were £4.7m (2018: £4.4m). As at 31 March 2019 no amounts were outstanding (2018: same). Total cash payments expected in the year to 31 March 2020 are £4.8m.

The arrangement provides the Group with a less volatile basis for financing the long-term pension liabilities.

(b) Overseas schemes

The Group operates a number of pension schemes in different countries. There are several small defined benefit schemes and a number of defined contribution schemes. In addition, in certain countries, the Group must provide for various employee termination benefits. These are accounted for as if they were defined benefit pension schemes. The total defined benefit pension charge to operating profit for the Group in respect of overseas pension schemes for the year ended 31 March 2019 was £0.2m (2018: £0.2m), excluding settlement gains. The forecast future contributions into these schemes are expected to be similar to the current year contributions, but are subject to the number and nature of leavers in any period.

Details of the Group's material overseas defined benefit schemes are as follows:

North America

The Group operates three pension plans in North America, a funded defined benefit scheme and two unfunded pension plans. All three schemes are closed to new members and future accrual. The disclosures are based on the most recent actuarial valuations of liabilities and asset market values at 31 March 2019.

France

The Group operates an unfunded statutory retirement benefit scheme in France with liabilities of £4.2m (2018: £4.3m), with payments made to employees on retirement.

Italy

There is an unfunded statutory termination indemnity plan in Italy, with payments made to employees on retirement or termination of service. The Italian scheme is closed to future accrual following changes in local legislation in 2013. It has liabilities of £0.5m (2018: £0.6m).

Switzerland

As at the end of March 2019 the Group has no liability in respect of its former Swiss retirement scheme following the closure of the Swiss site two years ago as the scheme was fully closed during the year ended 31 March 2018 being a fully insured retirement fund.

24. Retirement benefit obligations continued

Defined benefit schemes continued

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19. Given the relative size of the schemes, the age profile and sensitivities are only provided for the UK.

	UK		North America		France		Italy	
	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate	**2.35%**	2.50%	**4.25%**	4.09%	**1.25%**	1.50%	**0.44%**	0.45%
Salary rises	**–**	–	**–**	–	**2.00%**	2.00%	**–**	–
Price inflation (RPI)	**3.20%**	3.05%	**3.00%**	3.00%	**2.00%**	2.00%	**2.00%**	2.00%
Price inflation (CPI)	**2.20%**	2.05%	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 5%	**3.07%**	2.94%	**–**	–	**–**	–	**–**	–
Future pension increases – RPI max 3%	**2.40%**	2.32%	**–**	–	**–**	–	**–**	–
Amount of pension commuted for cash	**25.00%**	25.00%	**–**	–	**–**	–	**–**	–

The salary increase assumption is no longer relevant in the UK and US as the schemes are closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK schemes are set out in the table below; the expected return on investment for the overseas schemes is not a key judgement given the small asset values.

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2019, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2018 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the scheme's membership. The results of this exercise showed that a best estimate adjustment to the base table used by the formal triennial actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2019 disclosures.

Actuarial assumption sensitivities

The calculation of the schemes' deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. Note that sensitivities are not provided for the overseas schemes because the materiality of the results is not significant.

	UK 2019 £m
Rate of inflation	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of inflation	**(5.0)**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of inflation	**5.0**
Discount rate	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of discount	**(9.5)**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of discount	**10.5**
Mortality	
Life expectancy of members increases by one year	**7.2**
Life expectancy of members decreases by one year	**(7.2)**
Current pensioners (years):	
Male life expectancy at age 65	**85.4**
Female life expectancy at age 65	**87.3**
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	**86.7**
Female life expectancy at age 65 (currently aged 45)	**88.8**

24. Retirement benefit obligations continued

Actuarial assumption sensitivities continued

The amounts recognised in the Balance Sheet are determined as follows:

UK scheme	2019 Value £m	2018 Value £m
Overseas equities	**17.6**	24.1
Corporate bonds	**78.6**	49.9
Fixed interest government bonds	**14.9**	34.8
Index-linked government bonds	**23.3**	11.4
Property	**1.8**	3.1
Hedge funds	**4.4**	14.1
Cash and cash equivalents	**2.7**	1.8
Total market value of assets*	**143.3**	139.2
Present value of scheme liabilities	**(145.5)**	(153.2)
Net deficit in the schemes	**(2.2)**	(14.0)

* No quoted market price in active market for the UK scheme investments for 2019 (2018: same)

The weighted average duration of the defined benefit obligation at 31 March 2019 is approximately 16 years (2018: 16 years).

French scheme	2019 Value £m	2018 Value £m
Present value of scheme liabilities	**(4.2)**	(4.3)
Net deficit in the scheme	**(4.2)**	(4.3)

Italian scheme	2019 Value £m	2018 Value £m
Present value of scheme liabilities	**(0.5)**	(0.6)
Net deficit in the scheme	**(0.5)**	(0.6)

North American scheme	2019 Value £m	2018 Value £m
Equities	**5.7**	3.4
Bonds	**3.2**	4.7
Other	**0.8**	0.8
Total market value of assets	**9.7**	8.9
Present value of scheme liabilities	**(11.2)**	(11.0)
Net deficit in the scheme	**(1.5)**	(2.1)

The amounts recognised in the Income Statement are as follows:

	2019 £m	2018 £m
Current service cost	**(0.2)**	(0.2)
Pension GMP equalisation	**(1.0)**	–
Total included within staff costs	**(1.2)**	(0.2)
Interest income on scheme assets less interest on scheme liabilities	**(0.5)**	(0.7)
Total included within finance costs	**(0.5)**	(0.7)
Total expenses charged through the Income Statement	**(1.7)**	(0.9)

24. Retirement benefit obligations continued

Actuarial assumption sensitivities continued

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2019 £m	2018 £m
Actual return less interest income on scheme assets	**4.8**	0.7
Experience gains arising on scheme liabilities	**0.5**	(0.1)
Changes in assumptions underlying the present value of the scheme liabilities:		
– Financial assumptions	**4.1**	6.0
Total amounts recognised in the Statement of Comprehensive Income	**9.4**	6.6

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2019 £m	2018 £m
Beginning of the year	**148.1**	164.2
Exchange differences	**0.6**	(1.9)
Expected return on scheme assets	**3.4**	3.4
Actual return less interest income on scheme assets	**5.2**	1.1
Contributions paid	**5.0**	4.6
Benefits paid	**(9.3)**	(23.3)
End of the year	**153.0**	148.1

Analysis of movement in scheme liabilities

	2019 £m	2018 £m
Beginning of the year	**(169.1)**	(195.6)
Exchange differences	**(0.7)**	2.0
Current service cost (included within staff costs)	**(0.2)**	(0.2)
Pension GMP equalisation (included within staff costs)	**(1.0)**	–
Interest on scheme liabilities	**(4.3)**	(4.5)
Experience gains	**0.5**	(0.1)
Changes in assumptions	**4.1**	6.0
Benefits paid	**9.3**	23.3
End of the year	**(161.4)**	(169.1)

Analysis of movement in Balance Sheet liability

	2019 £m	2018 £m
Beginning of the year	**(21.0)**	(31.4)
Exchange differences	**(0.1)**	0.1
Income Statement expense	**(1.7)**	(0.9)
Statement of Comprehensive Income items	**5.3**	0.6
Changes in assumptions	**4.1**	6.0
Contributions paid	**5.0**	4.6
Net deficit in the schemes	**(8.4)**	(21.0)

Cumulative actuarial losses on pension schemes recognised in reserves total £21.4m (2018: £30.8m).

24. Retirement benefit obligations continued

Analysis of movement in Balance Sheet liability continued

	2019 IAS 19 £m	2018 IAS 19 £m	2017 IAS 19 £m	2016 IAS 19 £m	2015 IAS 19 £m
Present value of defined benefit obligations	**(161.4)**	(169.1)	(195.6)	(172.7)	(202.0)
Fair value of plan assets	**153.0**	148.1	164.2	145.2	162.2
Deficit in the plan	**(8.4)**	(21.0)	(31.4)	(27.5)	(39.8)
Experience adjustments on plan liabilities	**4.6**	5.9	(24.5)	10.8	(20.8)
	2.9%	3.5%	(12.5%)	6.3%	(10.3%)
Experience adjustments on plan assets	**5.2**	1.1	17.6	4.4	18.6
	3.4%	0.7%	10.7%	3.0%	11.5%

25. Share capital

	2019 £m	2018 £m
Allotted, issued and fully paid		
154,650,532 (2018: 153,608,702) shares of 5p each	**7.7**	7.7

The movement in share capital relates to the exercise of share options (note 26). The Company has one class of ordinary shares which carry no rights to fixed income.

26. Share options

Potential issues of ordinary shares

Certain senior managers and other staff hold options to subscribe for shares in the Company at prices ranging from nil pence per share to 273.0p per share under share option schemes approved by shareholders. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Scheme	Year of grant	Average exercise price per share	Exercise period	Number of options 2019	Number of options 2018
Performance share plan	2013	nil p per share	up to 23 July 2023	**4,000**	10,000
Performance share plan	2014	nil p per share	up to 22 July 2024	**5,000**	72,682
Performance share plan	2015	nil p per share	up to 22 July 2025	**25,234**	619,626
Performance share plan	2016	nil p per share	up to 8 July 2026	**382,101**	600,583
Performance share plan	2017	nil p per share	up to 9 August 2027	**195,621**	429,991
Performance share plan	2017	nil p per share	up to 30 November 2027	**31,645**	31,645
Performance share plan	2018	nil p per share	up to 1 June 2028	**299,020**	–
Performance share plan	2019	nil p per share	up to 5 March 2029	**70,855**	–
Sharesave option plan 3-year	2015	159.00p	up to 1 March 2019	**–**	386,570
Sharesave option plan 3-year	2018	273.00p	up to 1 September 2022	**487,991**	–
				1,501,467	2,151,097

During the year the following options were exercised: 6,000 options under the 2013 Performance share plan; 67,682 options under the 2014 Performance share plan; 594,392 options under the 2015 Performance share plan; and 373,756 options under the 2015 three-year Sharesave option plan.

All other movements from 2018 are expired or lapsed options and new grants. As at 31 March 2019, 4,000 options were exercisable under the 2013 Performance share plan; 5,000 options were exercisable under the 2014 Performance share plan; and 25,234 options were exercisable under the 2015 Performance share plan.

The Group operates several share option schemes. Options are exercisable at a price equal to the average quoted market price of the Group's shares on the date of grant. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity-settled share options are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed over the vesting period, based upon the Group's estimate of shares that will eventually vest.

There are no cash-settled share options.

26. Share options continued

Potential issues of ordinary shares continued

Fair value is measured by use of a Black Scholes model according to the relevant measures of performance. The models include adjustments, based upon management's best estimate, for the effects of exercise restrictions, behavioural considerations and expected dividend payments. The option life is derived from models based upon these assumptions and other assumptions identified below.

The Group recognised total expenses of £1.0m (2018: £1.9m) related to equity-settled share-based payments. This expense includes the charge for new options granted during the year net of release of charge for the options for which it has been concluded that vesting criteria will not be met.

Long Term Incentive Plan

The Company has a Long Term Incentive Plan that operates based on the 2011 Performance Share Plan.

Options granted in 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 relate to the 2011 incentive plan known as the Scapa Group plc 2011 Performance Share Plan, details of which can be found in the Directors' Remuneration Report contained in these accounts.

The following tables show the inputs to the model used to calculate the fair value of equity-settled share options granted during the years ended 31 March 2019 and 31 March 2018 respectively:

Year ended 31 March 2019	Performance Share Plan awarded 1 June 2018 and 5 March 2019
Weighted average share price (p)	**423**
Weighted average exercise price (p)	**Nil**
Weighted average fair value of options granted (p)	**423**
Expected volatility (%)	**n/a**
Expected life (months)	**36**
Risk free rate (%)	**n/a**

Year ended 31 March 2018	Performance Share Plan awarded 9 August 2017 and 30 November 2017
Weighted average share price (p)	474
Weighted average exercise price (p)	Nil
Weighted average fair value of options granted (p)	474
Expected volatility (%)	n/a
Expected life (months)	36
Risk free rate (%)	n/a

The expected volatility is based upon the historical volatility of the Group's share price over the expected life of the option.

Sharesave

The Scapa Group 2018 Sharesave Scheme is an Inland Revenue approved Save-As-You-Earn (SAYE) share option scheme pursuant to which eligible employees (including Executive Directors) in the United Kingdom who have worked a minimum six-month qualifying period and agree to save a fixed amount for three or five years under an approved savings contract are granted options to subscribe for shares in the Company at a discounted exercise price. The maximum amount that can be saved by a participant is £250 per month. In normal circumstances options are exercisable for six months following the completion of a savings contract using the proceeds from that contract. The exercise price is based on the market value of the shares as of the date of grant, less a discount of 20%.

26. Share options continued

Sharesave continued

The movement in total outstanding options is provided below:

	SAYE Plan		Performance Share Plan	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 31 March 2017	435,561	159.0p	2,676,738	£Nil
Granted during the year	–	–	489,405	£Nil
Exercised during the year	(12,087)	159.0p	(1,245,796)	£Nil
Forfeited and lapsed during the year	(36,904)	159.0p	(155,820)	£Nil
Outstanding at 31 March 2018	386,570	159.0p	1,764,527	£Nil
Granted during the year	489,309	273.0p	564,843	£Nil
Exercised during the year	(373,756)	159.0p	(668,074)	£Nil
Forfeited and lapsed during the year	(14,132)	169.6p	(647,820)	£Nil
Outstanding at 31 March 2019	**487,991**	**273.0p**	**1,013,476**	**£Nil**
Weighted average contractual remaining life:				
31 March 2019	**2.8 years**			**8.2 years**
31 March 2018	0.4 years			8.1 years

The weighted average share price at the date of exercise for share options exercised during the year was 415.3p.

Scapa Group 2015 Value Creation Plan

The Company implemented the Value Creation Plan (VCP) in 2015/16 to reward participants for creating value through growth in the Company's share price. If defined share price targets are met on defined dates, the growth in excess of £1.95 (up to a maximum of £5.00) will be shared by the Plan's participants. The total amount awarded to participants in the Plan was set as 5% of the number of shares in issue. The first measurement date was 31 March 2018 with a share price target of £3.00. The second measurement date is 31 March 2020 where the share price target is £4.00. Any rights obtained in March 2018 must be held for 24 months before exercise. Any rights obtained in March 2020 must be held for twelve months before exercise.

The first tranche of the VCP has vested with the gateway share price of £3.00 having been exceeded on 31 March 2018. Pursuant to the VCP rules, any vested amount will be reduced by amounts vesting under the PSP schemes vesting in financial years 2018, 2019 and 2020 respectively.

The VCP will be equity settled and a charge has been calculated under IFRS 2 and applied in the current year. In determining the likelihood of the VCP vesting for the IFRS 2 charge, the Company used a simulation model to predict the various outcomes of share price at the target dates. The main assumptions used in the model were the expected volatility, expected dividends payable over the period, the risk free rate of return and the granting and vesting of other LTIP awards which are deducted from any VCP payment. These assumptions were all based on historical data as the best estimate of future outcome.

27. 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)**

28. Commitments

Capital commitments

The amount contracted but not provided for in the accounts at 31 March 2019 was £4.9m (2018: £11.2m).

At 31 March 2019 a total of £2.9m (2018: £2.1m) was authorised but not yet contracted.

Operating lease commitments

At 31 March 2019 the Group has lease agreements in respect of various assets for which present value of future minimum lease payments extend as follows:

	2019		2018	
Commitments under leases:	**Property £m**	**Vehicles, plant and equipment £m**	**Property £m**	**Vehicles, plant and equipment £m**
Within one year	**2.7**	**0.7**	3.2	0.6
More than one year and less than five years	**5.7**	**0.9**	5.2	1.2
After five years	**1.2**	**–**	1.7	–
Total operating lease commitments	**9.6**	**1.6**	10.1	1.8

29. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019 £m	**2018 £m**	**2019 £m**	**2018 £m**
Within one year	**12.1**	0.1	**12.1**	0.1
In the second to fifth years inclusive	**0.1**	0.1	**0.1**	0.1
Present value of lease obligations	**12.2**	0.2	**12.2**	0.2

The present value of minimum lease payments is denominated in the following currencies:

	Minimum lease payments	
	2019 £m	**2018 £m**
US Dollar	**12.2**	0.2
	12.2	0.2

It is Group policy to lease certain fixtures and equipment under finance leases. The Group has lease agreements in the US with lease periods to 2023 and average borrowing rates of 2.8% (2018: 5.1%). Interest rates are fixed at contract date. All leases are on fixed repayment terms and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessors' rights over the related assets.

Five-year summaries

Five-Year Financial Summary (unaudited)

	2019 £m	2018 £m	2017 £m	2016 £m	2015 (restated) £m
Group revenue	**311.8**	291.5	279.6	246.7	236.0
Group profits/(losses)					
Profit before taxation and exceptional items	**27.7**	28.7	22.8	16.4	14.2
Exceptional items ((charges)/income)	**(12.8)**	0.1	(1.0)	(6.6)	(0.5)
Profit before taxation	**14.9**	28.8	21.8	9.8	13.7
Taxation	**(6.7)**	(5.3)	(4.2)	(3.7)	(4.2)
Profit after taxation	**8.2**	23.5	17.6	6.1	9.5
Headline earnings per share (p)	**5.3**	15.4	11.6	4.1	6.5
Net cash equivalents	**(55.7)**	(3.8)	(16.1)	(2.6)	(2.2)
Shareholders' funds – equity	**139.4**	118.9	100.4	77.7	61.8
Net assets per share (p)	**90.5**	77.7	66.4	52.4	42.1

Exchange rates (unaudited)

	2019	2018	2017	2016	2015
US $					
Closing	**1.31**	1.40	1.25	1.44	1.48
Average	**1.32**	1.33	1.32	1.50	1.61
Canadian $					
Closing	**1.76**	1.81	1.66	1.87	1.88
Average	**1.73**	1.71	1.72	1.97	1.84
Euro					
Closing	**1.17**	1.14	1.16	1.27	1.37
Average	**1.14**	1.14	1.20	1.36	1.28

Scapa Group plc
Parent Company Financial Statements

The separate financial statements of Scapa Group plc are presented on pages 120 to 132.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. They are therefore presented separately to the Group consolidated financial statements which have been prepared under International Financial Reporting Standards.

Company Balance Sheet
as at 31 March 2019

	Note	31 March 2019 £m	31 March 2018 £m
Non-current assets			
Tangible fixed assets	5	**0.6**	0.5
Investments in subsidiary undertakings	6	**137.1**	136.9
Deferred tax asset	4	**0.3**	1.1
Debtors: amounts due after more than one year	7	**216.2**	191.2
		354.2	329.7
Current assets			
Debtors: amounts due within one year	7	**6.7**	6.2
		6.7	6.2
Current liabilities			
Creditors: amounts falling due within one year	9	**(4.1)**	(6.7)
Net current assets/(liabilities)		**2.6**	(0.5)
Total assets less current liabilities		**356.8**	329.2
Creditors: amounts falling due after more than one year			
Creditors	9	**(128.7)**	(122.4)
Borrowings	8	**(54.7)**	(21.4)
		(183.4)	(143.8)
Provisions for liabilities and charges	10	**(0.2)**	(0.1)
Net assets excluding pension liability		**173.2**	185.3
Net pension liability	12	**(1.5)**	(9.4)
Net assets		**171.7**	175.9
Shareholders' funds			
Called-up share capital	11	**7.7**	7.7
Share premium		**1.0**	0.4
Other reserves		**10.1**	10.1
Profit and loss account		**152.9**	157.7
Shareholders' funds – equity		**171.7**	175.9

The notes on pages 124 to 132 form part of these financial statements.

The Company reported a loss for the financial year ended 31 March 2019 of £10.7m (2018: £4.9m profit).

The financial statements of Scapa Group plc, registered number 826179, were approved by the Board of Directors and authorised for issue on 21 May 2019. They were signed on its behalf by:

H R Chae
Group Chief Executive

O Zahn
Chief Financial Officer

Company Statement of Changes in Equity
for the year ended 31 March 2019

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2017	7.6	0.4	10.1	142.9	161.0
Profit for the year	–	–	–	4.9	4.9
Actuarial gain on pension schemes	–	–	–	7.0	7.0
Total comprehensive income	–	–	–	11.9	11.9
Issue of shares	0.1	–	–	–	0.1
Share options	–	–	–	1.9	1.9
Equity-settled share-based payments	–	–	–	(0.1)	(0.1)
Group dividends received	–	–	–	4.1	4.1
External dividends	–	–	–	(3.0)	(3.0)
Balance at 31 March 2018	7.7	0.4	10.1	157.7	175.9
Loss for the year	–	–	–	(10.7)	(10.7)
Actuarial gain on pension schemes	–	–	–	8.8	8.8
Deferred tax on actuarial gain	–	–	–	(0.2)	(0.2)
Total comprehensive income	7.7	0.4	10.1	155.6	173.8
Issue of shares	–	0.6	–	–	0.6
Share options	–	–	–	1.0	1.0
External dividends	–	–	–	(3.7)	(3.7)
Balance at 31 March 2019	**7.7**	**1.0**	**10.1**	**152.9**	**171.7**

Statement of accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and in accordance with applicable law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year in dealing with items that are considered material in relation to the Company's financial statements. In accordance with Section 408 of the Companies Act 2006 a separate profit and loss account dealing with the results of the Company has not been presented.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

A summary of the Company's principal accounting policies is set out below. These have been applied consistently throughout the year and prior year.

Going concern

The Directors have at the time of approving the financial statements a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 72 and in the Viability Statement on page 31.

Tangible fixed assets

Tangible fixed assets are stated at cost less cumulative depreciation and impairment. Depreciation is provided on the basis of writing off the cost of the relevant assets over their expected useful lives. The Company applies the straight-line method. The effect is to reduce the cost of plant, equipment, fixtures and computer systems to estimated residual value over a period of 5–20 years.

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Temporary differences are differences between the Company's taxable profits and losses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been substantively enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

Dividends

Dividends proposed by the Board are recognised in the financial statements when they have been approved by shareholders at the Annual General Meeting.

Provisions

Provisions are made in accordance with IAS 37 where an obligation exists for a future liability in respect of a past event and where the amount of obligation can be reliably estimated.

Fixed asset investments

Fixed asset investments are stated at cost, less provision for any impairment in value. Where circumstances indicate that there may have been impairment in the carrying value of a tangible or intangible fixed asset, an impairment review is carried out using cash flows from approved forecasts and projections discounted at the Group's weighted average cost of capital.

Pension costs
For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

For defined benefit schemes, the Company recognises plan assets where they are separable, solely for payment to the fund or to fund employee benefits, not available to the Company's creditors in bankruptcy and where the assets cannot be returned to the Company unless all employee benefit obligations are met.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate Trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained annually and are updated at each Balance Sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Balance Sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Share-based payments
The Company has applied the requirements of IFRS 2 Share-based Payment.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each Balance Sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled employee benefits reserve.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange at the Balance Sheet date. Exchange differences on borrowings (including differences arising due to currency swaps) taken out to hedge overseas equity investments and on long-term loans which are considered equivalent to equity are taken to the translation reserve. All other differences are taken to the profit and loss account.

Consolidation
Consolidated accounts for the Company are prepared under International Accounting Standards and as a result these financial statements present information about the Company only.

Related parties
The Directors' Annual Remuneration Report can be found in the Annual Report on pages 65 to 71. The pension scheme is a related party to the Company; there were no contributions outstanding at the year end. There are no other related party transactions in the current or prior year. The Company is exempt under the terms of FRS 101 paragraph 8(j) from disclosing related party transactions entered into between two or more members of a group provided that any subsidiary which is party to a transaction is wholly owned by a member.

Critical accounting estimates and judgements
In the course of preparing the Company's financial statements, no judgement or key source of estimation uncertainty have been identified.

Notes on the accounts

1. Profit and loss account

The Company's loss in the year is £10.7m (2018: £4.9m profit). As permitted by Section 408 of the Companies Act 2006 a separate profit and loss account has not been presented. Profit/(loss) on ordinary activities before taxation is stated after (charging)/crediting:

	2019 £m	2018 £m
Depreciation of tangible fixed assets, owned	**(0.2)**	(0.2)
Foreign exchange gains/(losses)	**0.1**	(1.1)
Directors' and employee costs	**(4.9)**	(7.0)

2. Fees payable to the Company's auditor

For the year ended 31 March 2019

	2019 £'000	2018 £'000
Auditor's remuneration		
– Audit of the Company	**113.0**	117.0
– Corporate finance services	**–**	217.0
– Audit-related assurance services	**10.0**	10.0
– Other non-audit services	**31.0**	5.0
	154.0	349.0

Total audit fees were £113,000 (2018: £117,000). Total non-audit fees payable to the auditor were £41,000 (2018: £232,000). Other non-audit services relate to remuneration advice.

3. Staff costs

	2019 £m	2018 £m
Wages and salaries	**2.9**	3.7
Social security costs	**0.5**	2.0
Share options granted to Directors and employees	**0.7**	1.2
Pension costs – defined contribution plans	**0.1**	0.1
	4.2	7.0
Pension GMP equalisation	**0.7**	–
	4.9	7.0

	2019	2018
Average employee numbers	**30**	30

Details of the highest paid Director can be found on page 65.

4. Taxation

Income tax credit

	2019 £m	2018 £m
Current tax:		
Tax on trading activities – current year	**(0.1)**	(0.8)
Tax on trading activities – prior year	**0.7**	–
Total current tax	**0.6**	(0.8)
Deferred tax:		
Tax on trading activities – current year	**(0.7)**	–
Tax on trading activities – prior year	**0.1**	–
Total deferred tax	**(0.6)**	–
Tax charge for the year	**–**	(0.8)

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

	2019 £m	2018 £m
(Loss)/profit on ordinary activities before tax	**(10.7)**	5.7
Tax charge at 19% (2018: 19%)	**2.0**	(1.1)
Movements to unprovided deferred tax	**0.6**	0.4
Items not deductible for tax purposes and other taxable items	**(3.4)**	(0.1)
Adjustments in respect of prior years	**0.8**	–
Actual tax charge for the year	**–**	(0.8)

The Finance Act 2017 introduced a reduction in the main rate of corporation tax to 17.0% from 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:		
– Retirement benefit liabilities	**0.3**	1.1

Tax assets amounting to £2.7m (2018: £4.9m) have not been recognised due to the uncertainty over the utilisation of the underlying tax losses in the UK.

Deferred tax is only recognised in respect of entities that made a trading profit in the current and preceding year.

Movement in deferred tax	2019 £m	2018 £m
Beginning of the year	**1.1**	1.1
Income Statement charge	**(0.6)**	–
Deferred tax on actuarial gain	**(0.2)**	–
End of the year	**0.3**	1.1

4. Taxation continued
Income tax credit continued

Deferred tax items have not been recognised in respect of the following items	2019 £m	2018 £m
Accelerated capital allowances	**1.3**	1.2
Temporary differences	**–**	0.5
Pensions	**–**	0.6
Tax losses	**1.4**	2.6
Total	**2.7**	4.9

5. Tangible fixed assets

	Plant, equipment, fixtures and computer systems £m
Cost	
At 1 April 2018	13.1
Additions	0.3
At 31 March 2019	**13.4**
Depreciation	
At 1 April 2018	(12.6)
Depreciation	(0.2)
At 31 March 2019	**(12.8)**
Net book value at 31 March 2019	**0.6**
Net book value at 31 March 2018	0.5

6. Investments

	Shares in Group undertakings £m
Cost	
At 1 April 2018	136.9
Capital contribution	0.2
Net book value at 31 March 2019	**137.1**
Net book value at 31 March 2018	136.9

No further investment impairment was required at 31 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 0% to 10.0% up to year five, which management believes does not exceed the long-term average growth rate for the industry, and then is subject to a 0% to 1.0% growth and costs 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 Company's subsidiaries are shown in note 14.

7. Debtors

	2019 £m	2018 £m
Amounts due within one year		
Amounts owed by subsidiary undertakings	**4.2**	4.0
Other debtors	**0.6**	0.2
Prepayments and accrued income	**1.9**	2.0
Total amounts due within one year	**6.7**	6.2
Amounts due after more than one year		
Amounts owed by subsidiary undertakings	**216.2**	191.2

The terms of loans owed by subsidiary undertakings vary; expiry of these ranges from 2020–2025. The loans are unsecured and carry interest at a variable rate between 1.14% and 6.25%.

8. Bank loans and overdrafts

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

- the initial committed value of the facility is £70m;
- there is access to an accordion of £30m;
- 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%; and
- the facility has two covenants – the ratio of EBITDA to interest paid must be above 4:1 and the ratio of EBITDA to net debt must be less than 3.0.

The borrowings of the Company under the facility at the Balance Sheet date were as follows:

	2019 £m	2018 £m
Bank loans	**54.7**	21.4

The effective interest rate at the Balance Sheet date was as follows:

	%
31 March 2019 Bank loans	**2.2%**
31 March 2018 Bank loans	3.1%

	2019 £m	2018 £m
Bank loan drawdown	**54.7**	21.4

The Company, along with other subsidiaries in the Group, has the following undrawn borrowing facilities, being the unused portion of the £70.0m committed facility:

	2019 £m	2018 £m
Floating rate	**15.3**	48.6

9. Creditors

	2019 £m	2018 £m
Amounts due within one year		
Amounts owed to subsidiary undertakings	**0.1**	0.4
Other creditors, including taxation and social security	**4.0**	6.3
Total amounts due within one year	**4.1**	6.7
Amounts due after more than one year		
Amounts owed to subsidiary undertakings	**128.7**	122.4

The terms of loans owed to subsidiary undertakings vary; expiry of these ranges from 2020–2024. The loans are unsecured and carry interest at a variable rate between 0.50% and 6.25%.

10. Provisions

	2019 £m	2018 £m
At 1 April	**0.1**	0.6
Additions in the year	**0.3**	0.2
Utilised in the year	**(0.2)**	(0.7)
At 31 March	**0.2**	0.1

11. Share capital

	2019 £m	2018 £m
Allotted, issued and fully paid		
154,650,532 (2018: 153,608,702) shares of 5p each	**7.7**	7.7

The movement in share capital relates to share options (see note 26 of the Group accounts).

	Number of shares
March 2018	153,608,702
SAYE and Performance Share Plan options exercised in the year	1,041,830
March 2019	**154,650,532**

Share options

Potential issues of ordinary shares and share options for the Company are disclosed in note 26 of the Group accounts.

12. Retirement benefit obligations

(a) Defined contribution scheme

The Company operates a defined contribution scheme in the UK. Employer's contributions are charged to the profit and loss account as incurred. The total pension cost for the Company in respect of this scheme for the year ended 31 March 2019 was £0.1m (2018: £0.1m).

(b) Defined benefit schemes

The Company is a sponsoring employer to the Scapa Group plc Pension Scheme, which has the assets and liabilities of former UK employees. The scheme has been closed to new members and future accrual since 2007/08 and is wholly funded by the sponsoring employers, Scapa Group plc and Scapa UK Ltd. The assets of the scheme are held separately from the Company under Trust and both the assets and liabilities are held on a non-sectionalised basis. The scheme is managed by a professional Trustee.

12. Retirement benefit obligations continued

(b) Defined benefit schemes continued

The IAS 19 Retirement Benefits valuations have been updated from the prior year using the formal triennial actuarial valuation calculations carried out as at 1 April 2017 (completed in June 2018), in order to assess the liabilities of the schemes at 31 March 2019. Scheme assets are stated at their market value at 31 March 2019.

Set out below are the key financial assumptions used to calculate scheme liabilities under IAS 19.

	2019	2018
Discount rate	**2.35%**	2.50%
Salary rises	**–**	–
Price inflation (RPI)	**3.20%**	3.05%
Price inflation (CPI)	**2.20%**	2.05%
Future pension increases – RPI max 5%	**3.07%**	2.94%
Future pension increases – RPI max 3%	**2.40%**	2.32%
Amount of pension commuted for cash	**25.00%**	25.00%

The salary increase assumption is no longer relevant in the UK as the scheme is closed to future accrual.

The expected investment returns have been calculated using the weighted average of the expected investment returns for the different asset classes. The expected return on investments for the UK scheme is set out in the table below.

The assumptions relating to UK longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables, with adjustments to reflect actual experience. For the year to 31 March 2019, the IAS 19 calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality have been allowed for using the core CMI 2018 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have then been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2016 a postcode mortality exercise was conducted on the scheme's membership. The results of this exercise showed that a best estimate adjustment to the base table used by the formal triennial actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2019 disclosures.

Actuarial assumption sensitivities

The calculation of the scheme's deficits is sensitive to changes in the underlying assumptions listed above. The following tables show the approximate effect of changes in the key assumptions on the UK scheme's liabilities (and deficit) at the year end. These are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

	2019 £m
Rate of inflation	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of inflation	**(3.3)**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of inflation	**3.3**
Discount rate	
Change in the year-end liabilities from a 0.5% increase in the assumed rate of discount	**(6.3)**
Change in the year-end liabilities from a 0.5% decrease in the assumed rate of discount	**6.9**
Mortality	
Life expectancy of members increases by one year	**4.8**
Life expectancy of members decreases by one year	**(4.8)**
Current pensioners (years):	
Male life expectancy at age 65	**85.4**
Female life expectancy at age 65	**87.3**
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	**86.7**
Female life expectancy at age 65 (currently aged 45)	**88.8**

12. Retirement benefit obligations continued

Actuarial assumption sensitivities continued

The amounts recognised in the Balance Sheet are determined as follows:

UK scheme	2019 Value £m	2018 Value £m
Overseas equities	**11.7**	16.0
Corporate bonds	**52.4**	33.2
Fixed interest government bonds	**9.9**	23.2
Index-linked government bonds	**15.6**	7.6
Property	**1.2**	2.0
Hedge funds	**2.9**	9.6
Cash and cash equivalents	**1.8**	1.2
Total market value of assets*	**95.5**	92.8
Present value of scheme liabilities	**(97.0)**	(102.2)
Net deficit in the schemes	**(1.5)**	(9.4)

* No quoted market price in active market for the UK scheme investments for 2019 (2018: same)

The amounts recognised in the Income Statement are as follows:

	2019 £m	2018 £m
Pension GMP equalisation	**(0.7)**	–
Total included within staff costs	**(0.7)**	–
Interest income on scheme assets less interest on scheme liabilities	**(0.2)**	(0.4)
Total included within finance costs	**(0.2)**	(0.4)
Total expenses charged through the Income Statement	**(0.9)**	(0.4)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2019 £m	2018 £m
Actual return less interest income on scheme assets	**5.9**	3.0
Changes in assumptions underlying the present value of the scheme liabilities:		
– Financial assumptions	**2.9**	4.0
Total amounts recognised in the Statement of Comprehensive Income	**8.8**	7.0

The amounts recognised in the Balance Sheet are as follows:

Analysis of movements in scheme assets

	2019 £m	2018 £m
Beginning of the year	**92.8**	95.6
Expected return on scheme assets	**2.2**	2.2
Actual return less expected return on scheme assets	**5.9**	3.0
Benefits paid	**(5.4)**	(8.0)
End of the year	**95.5**	92.8

12. Retirement benefit obligations continued

Analysis of movement in scheme liabilities

	2019 £m	2018 £m
Beginning of the year	**(102.2)**	(111.6)
Pension GMP equalisation (included within staff costs)	**(0.7)**	–
Interest on scheme liabilities	**(2.4)**	(2.6)
Changes in assumptions	**2.9**	4.0
Benefits paid	**5.4**	8.0
End of the year	**(97.0)**	(102.2)

Analysis of movement in Balance Sheet liability

	2019 £m	2018 £m
Beginning of the year	**(9.4)**	(16.0)
Total remeasurements	**8.8**	7.0
Expenses in the profit and loss account	**(0.9)**	(0.4)
Net deficit in the schemes	**(1.5)**	(9.4)

	2019 FRS 101 £m	2018 FRS 101 £m	2017 FRS 101 £m	2016 FRS 101 £m	2015 £m
Present value of defined benefit obligations	**(97.0)**	(102.2)	(111.6)	(97.4)	(112.7)
Fair value of plan assets	**95.5**	92.8	95.6	84.0	92.0
Deficit in the plan	**(1.5)**	(9.4)	(16.0)	(13.4)	(20.7)
Experience adjustments on plan liabilities	**2.9**	4.0	(16.4)	6.4	(10.9)
Experience adjustments on plan assets	**5.9**	3.0	14.0	1.1	14.8

13. 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.

14. Subsidiary undertakings

As at 31 March 2019 the subsidiaries of the Company were:

Holding and management companies	Registered office and country of incorporation	
Scapa Group Holdings GmbH	Nottendorfer Gasse 11, 1030 Wien, Austria	Holding company
Porritts & Spencer Ltd*	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Holding company
Scapa Holdings GmbH	Carl-Reuther-Straße 3, 68305, Mannheim, Germany	Holding company
Scapa (HK) Holdings Ltd	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	Holding company
Scapa Denver (North) Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Holding company
Scapa North America Inc	111 Great Pond Drive, CT, US	Holding company
Scapa (No2) Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Scapa Blackburn Ltd*	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Scapa General Partner Ltd	13 Queen's Road, Aberdeen, Scotland	Non-trading
Scapa Pension Trustees Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	Non-trading
Scapa Scottish Ltd Partnership	13 Queen's Road, Aberdeen, Scotland	Non-trading
Scapa Tapes NA (Carlstadt) Inc	111 Great Pond Drive, CT, US	Non-trading
Technical tapes companies		
Scapa Brasil Ltda	Avenida Francisco Matarazzo, 1720, Sala 2615, Agua Branca, São Paulo, Brazil	
Scapa Tapes North America Ltd	609 Barnet Boulevard, RR 3 Stn.Main, Renfrew, Canada	
Scapa (Shanghai) International Trading Company Ltd	1–17 1st Floor No55, Hua Shen Road, Waigaoqiao Free Trade Zone, Shanghai, China	
Scapa Tapes (Suzhou) Co. Ltd	1–17 1st Floor No55, Hua Shen Road, Waigaoqiao Free Trade Zone, Shanghai, China	
Scapa UK Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Groupe Scapa France SAS	79 Allée Bernard Palissy, 26001 Valence, France	
First Water Ltd*	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
First Water Ramsbury Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Scapa Deutschland GmbH	Carl-Reuther-Straße 3, 68305, Mannheim, Germany	
Scapa Hong Kong Ltd	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong	
Scapa Tapes India Private Ltd	17/2B3, Pudupakkam Village, Thiruporur-TK, Kancheepuram Dist, Tamilnadu, 603 103, India	
Scapa Italia SpA	Via Vittorio Emanuele 2nd 27, 13030 Ghislarengo VC, Italy	
Scapa Korea Co. Ltd	100 Hangang-daero, Yongsan-gu, Seoul 04386, Korea	
Scapa Tapes Malaysia Sdn Bhd	8 Jalan Kartunis U1/47 Temasya Ind Park, 40150 Shah Alam, Malaysia	
Scapa (Schweiz) AG	c/o Schoch, Auer & Partner, Rechtsanwälte, Marktplatz 4, Postfach 547, 9004 St. Gallen, Switzerland	
Scapa Indutrade (Schweiz) AG	c/o Schoch, Auer & Partner, Rechtsanwälte, Marktplatz 4, Postfach 547, 9004 St. Gallen, Switzerland	
Scapa Tapes North America LLC	111 Great Pond Drive, CT, US	
EuroMed Inc	25 Corporate Drive, Orangeburg, NY 10962, US	
Markel Industries Inc	135A Sheldon Road, Manchester, CT, US	
BioMed Laboratories LLC	8181 Eastpoint Drive, Dallas, TX, 75227, US	
Systagenix Wound Management Manufacturing Ltd	997 Manchester Road, Ashton-under-Lyne, Manchester, England	
Minority shareholdings		
Edixomed Ltd**	England	

All the shareholdings are ordinary shares and the subsidiaries listed are wholly owned and are incorporated in and operate from the countries named, with the exception of entities under minority shareholdings.

* Denotes the undertakings which are held directly by Scapa Group plc

** Edixomed Ltd is a clinical stage biopharmaceutical company. The company aims to take early stage products through stages of clinical and commercial development to maximise value to the business. The investment is held at cost

Company information

Key dates

Next Annual General Meeting	23 July 2019
Next Interim Results	19 November 2019
Next Year End (to be reported)	31 March 2020
Next Preliminary Announcement	19 May 2020
Next Annual Report due	June 2020

Shareholder information

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

By phone: UK – 0871 664 0300 or from overseas call +44 (0) 871 664 0300 – calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00am to 5:30pm, Monday to Friday, excluding public holidays in England and Wales.

By email: enquiries@linkgroup.co.uk.
By post: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Further information regarding the various services offered by Link Asset Services, including the Share Portal and Share Dealing Service, can be obtained from the above or directly from Link's website, www.signalshares.com or www.linksharedeal.com.

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