

Registered number: 3261510

# Scapa UK Limited

**Annual report and financial statements**

**For the Year Ended 31 March 2017**



# Scapa UK Limited

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## Company Information

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<b>Directors</b>	G S Hardcastle W Dickinson (appointed 1 December 2016) M Fowler (resigned 12 December 2016)
<b>Company secretary</b>	No secretary appointed
<b>Registered number</b>	3261510
<b>Registered office</b>	Manchester Road Ashton Under Lyne Greater Manchester OL7 0ED
<b>Auditor</b>	Deloitte LLP Chartered Accountants and Statutory Auditor Manchester, UK
<b>Bankers</b>	The Royal Bank of Scotland 38 Mosley Street Manchester M60 2BE

# Scapa UK Limited

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# Scapa UK Limited

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## Strategic report For the Year Ended 31 March 2017

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### Business review

The Company's principal activity is the manufacture of adhesive foams and specialist tape into the Industrial, Healthcare and Consumer markets.

Profit before tax in the year ending 31 March 2017 was £5,863,000 (2016 - £1,054,000). The tax charge for the year of £1,123,000 (2016 - £621,000) comprises corporation tax charge of £1,206,000 (2016 - £596,000) and a deferred tax benefit of £83,000 (2016 - £25,000 charge) – please see note 11 for further explanation.

The directors are confident the future prospects of the Company are positive and believe that the Company is well placed to meet challenging external economic conditions. The management team continue to address the requirement to become ever more competitive and efficient whilst focussing on strong cash management.

The Company operates a post retirement defined contribution scheme for qualifying employees and it also carries post retirement benefit liabilities relating to defined benefit schemes that are now closed for new members and future accrual. These pension schemes are disclosed in detail in note 24.

On behalf of the Company, the directors would like to thank all employees for their tremendous commitment, determination and dedication, that enables the Company to maintain positive momentum.

Scapa Group plc 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/en/modern Slavery Act](http://www.scapa.com/en/modern%20Slavery%20Act).

### Principal risks and uncertainties

The Company is a wholly owned subsidiary of Scapa Group plc. The directors of Scapa Group plc manage the group's risks at a group level, rather than at an individual subsidiary level. The principal risks and uncertainties of Scapa Group plc, which include those of the Company, are discussed in the business review in the Group's annual report which does not form part of this report.

The key risks for the Company are:

#### Foreign exchange risk:

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The net exposure is reduced as some sales and purchasing transactions are in foreign currency where appropriate.

#### Credit risk:

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheets are net of allowances for doubtful receivables. The Company has no significant concentration of credit risk with exposure spread over a number of counterparties and perform regular credit checks and monitoring on all significant customers.

#### Liquidity risk:

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of inter group borrowings and bank overdraft.

# Scapa UK Limited

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## Strategic report For the Year Ended 31 March 2017

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### Pension risk:

The Company operates a number of pension schemes which include defined benefit schemes. The pension funds' liabilities are partially matched with a portfolio of assets, which leaves potential risk around the amount of the liabilities as a result of changes in life expectancy, inflation, future salary increases, risks regarding the value of investments, the returns derived from such investments and the Pension Protection Fund levy. In addition, actions by the Pension Regulators or the Trustees and/or any material revisions to the existing pension legislation could require increased contributions by the Company to the pension funds.

The pension trustees, in consultation with the Company, regularly review the scheme's investments strategy to mitigate the volatility of liabilities and to diversify investment risk and the Company takes professional advice regarding options to manage potential volatility. The asset back arrangement entered into provides certainty over contribution levels for a twenty five year period.

### Loss of major customer:

The Company operates in a competitive market which is a continuing risk to the Company and could result in the loss of sales to its competitors. The Company manages this risk by providing a high standard of service to its customers, responding quickly to customers' requirements and maintaining strong relationships with them.

### Raw material pricing:

The risk of increasing raw material prices and commodity market rises are a continuing risk to the Company and could impact on gross margins in the future. The Company seeks to minimise the impact of increasing prices by utilising the Group's global supply chain function and using multi sourcing arrangements for its key materials.

### **Financial key performance indicators**

Management uses a number of key performance indicators (KPI's) to monitor the performance of the business. The financial KPI's comprise revenue growth of 14.5% (2016 - 0.5%), of which 7% relates to exchange rate differences and 7.5% is due to the increase in sales to existing customers and profit before tax of £5,863,000 (2016 - £1,054,000), the increase in profit is due to due to increased sales, favourable exchange rates and some efficiency savings within the business. No non-financial KPIs have been presented as there are none monitored at the Scapa UK Limited level, non-financial KPIs are only monitored on a Group basis.

This report was approved by the board on 26 May 2017



**W Dickinson**

Director

# Scapa UK Limited

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## **Directors' report For the Year Ended 31 March 2017**

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The directors present their report and the financial statements for the year ended 31 March 2017.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have 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.

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.

### **Results and dividends**

The profit for the year, after taxation, amounted to £4,740,000 (2016 - £433,000).

The directors do not recommend the payment of a dividend (2016 - same).

Research and development costs incurred in the year amount to £355,000 (2016 - £467,000), these were all expensed in the year.

### **Directors**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

The directors who served during the year and thereafter were:

W Dickinson (appointed 1 December 2016)

G S Hardcastle

M Fowler (resigned 12 December 2016)

# Scapa UK Limited

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## **Directors' report For the Year Ended 31 March 2017**

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### **Going concern**

The directors have considered the uncertain economic environment in which the business operates and the factors affecting the current and future performance and prospects of the business as set out in their report. Based on the Company's forecasts and facilities available to it and, having considered the opportunities and risks facing it, the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in the preparation of the accounts, see Note 2.

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

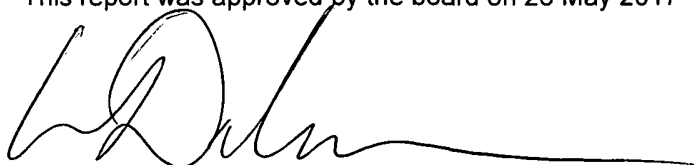
### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

### **Auditor**

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 May 2017



**W Dickinson**

Director

# Scapa UK Limited

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## Independent auditor's report to the shareholders of Scapa UK Limited

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We have audited the financial statements of Scapa UK Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 101 "Reduced Disclosure Framework" "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Auditors' 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.

### Respective responsibilities of Directors and Auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



# Scapa UK Limited

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## Independent auditor's report to the shareholders of Scapa UK Limited

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### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on 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 light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Elizabeth Benson BSc ACA (Senior statutory auditor)

for and on behalf of

**Deloitte LLP**

Chartered Accountants and Statutory Auditor

Manchester, UK.

26 May 2017.

# Scapa UK Limited

## Profit and loss account For the Year Ended 31 March 2017

		2017 £000	2016 £000
Turnover	4	50,990	44,541
Cost of sales		(37,188)	(34,639)
<b>Gross profit</b>		<b>13,802</b>	<b>9,902</b>
Distribution costs		(1,161)	(1,083)
Administrative costs		(5,457)	(6,461)
<b>Operating profit</b>		<b>7,184</b>	<b>2,358</b>
Interest receivable and similar income	9	623	563
Interest payable and similar charges	10	(1,944)	(1,867)
<b>Profit on ordinary activities before tax</b>		<b>5,863</b>	<b>1,054</b>
Tax on profit on ordinary activities	11	(1,123)	(621)
<b>Profit for the year</b>	5	<b>4,740</b>	<b>433</b>

The notes on pages 14 to 32 form part of these financial statements.

Turnover and operating profit are derived from continuing operations.

# Scapa UK Limited

## Statement of Comprehensive Income For the Year Ended 31 March 2017

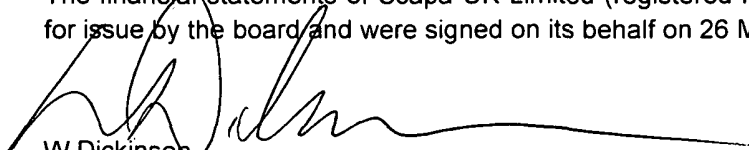
	2017 £000	2016 £000
Profit for the financial year	4,739	433
<b>Other comprehensive income:</b>		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit schemes	(1,112)	3,691
<b>Total comprehensive income for the year</b>	<b>3,627</b>	<b>4,124</b>

# Scapa UK Limited

## Balance sheet As at 31 March 2017

	Note	2017 £'000	2016 £'000
Tangible assets	12	4,362	4,153
Investments	13	20,001	20,001
		<u>24,363</u>	<u>24,154</u>
<b>Current assets</b>			
Stocks	14	3,864	3,105
Debtors: amounts falling due after more than one year	15	29,907	25,312
Debtors: amounts falling due within one year	15	9,992	7,842
Cash at bank and in hand	16	882	2,439
		<u>44,645</u>	<u>38,698</u>
Creditors: amounts falling due within one year	17	(9,271)	(8,367)
<b>Net current assets</b>		<u>35,374</u>	<u>30,331</u>
<b>Total assets less current liabilities</b>		<b>59,737</b>	<b>54,485</b>
Creditors: amounts falling due after more than one year	18	(37,931)	(37,930)
		<u>21,806</u>	<u>16,555</u>
<b>Provisions for liabilities</b>			
Other provisions	20	(1,422)	(1,110)
<b>Net assets excluding pension liability</b>		<u>20,384</u>	<u>15,445</u>
Pension liability	24	(7,966)	(6,739)
<b>Net assets</b>		<u>12,418</u>	<u>8,706</u>
<b>Capital and reserves</b>			
Called up share capital	22	-	-
Foreign exchange reserve	23	-	-
Profit and loss account	23	12,418	8,706
<b>Total shareholder's funds</b>		<u>12,418</u>	<u>8,706</u>

The financial statements of Scapa UK Limited (registered number 3261510) were approved and authorised for issue by the board and were signed on its behalf on 26 May 2017.

  
W Dickinson  
Director

The notes on pages 14 to 32 form part of these financial statements.

# Scapa UK Limited

## Statement of changes in equity For the Year Ended 31 March 2017

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2015	-	16,946	(18,457)	(1,511)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	433	433
Actuarial gains on pension scheme	-	-	3,691	3,691
<b>Total comprehensive income for the year</b>	-	-	4,124	4,124
Capitalisation / bonus issue	-	-	22,946	22,946
Shares redeemed during the year	-	(16,946)	-	(16,946)
Share options charge	-	-	93	93
<b>At 31 March 2016</b>	-	-	8,706	8,706
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	4,739	4,739
Actuarial gains on pension scheme	-	-	(1,112)	(1,112)
<b>Total comprehensive income for the year</b>	-	-	3,627	3,627
Share options charge	-	-	85	87
<b>At 31 March 2017</b>	-	-	12,418	12,418

The notes on pages 14 to 32 form part of these financial statements.

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 1 General information

Scapa UK Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given within the Company information section of this report. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

### 2 Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" and the Companies Act 2006.

The functional currency of the Company is considered to be pounds sterling. Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from 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 profit and loss account unless forward contract hedgings are in place.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

As permitted by FRS101, the company has taken advantage of the disclosure exemptions available under that standard in relation to standards not yet effective, presentation of a cash-flow statement, presentation of comparative information in respect of certain assets, financial instruments, key management personnel, pension scheme deficit sensitivities and related party transactions.

The following principal accounting policies have been applied:

#### 2.2 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment

#### 2.3 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 pages 6 and 7.

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 2 Accounting policies (continued)

#### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised.

##### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction, and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short term leasehold land and buildings	- over primary period of lease
Plant, fixtures and vehicles	- between 5 and 15 years
Computer systems and software	- between 3 and 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are derecognised within 'other operating income' in the Income Statement.

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 2 Accounting policies (continued)

#### 2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

#### 2.7 Research & Development Costs

Expenditure incurred on the development of new products and the cost of normal research work is charged against the profits of the year in which such expenditure or cost is incurred. Plant and equipment acquired for this purpose is included within fixed assets and written off over its expected useful life.

#### 2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

#### 2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overhead.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 2.10 Debtors

Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 2 Accounting policies (continued)

#### 2.12 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

##### **Financial Assets – loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss Account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

##### **Financial liabilities - Held at amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

#### 2.13 Creditors

Creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 2 Accounting policies (continued)

#### 2.14 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.15 Pensions

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 reparable, 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.

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company paid fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### 2.16 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 2 Accounting policies (continued)

#### 2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### 2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, and;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, where deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the difference between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### 3 Critical accounting estimates and judgements

The Company's accounting policies have been set by management. 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.

#### **Critical judgements in applying the Company's accounting policies**

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

Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The choice of discount rate applied in the calculation of scheme liabilities is a key judgement in applying the Company's accounting policy (see note 24).

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Accounting for retirement benefit schemes under IAS 19 (revised) requires an assessment of the future benefits payable in accordance with actuarial assumptions. The future inflation assumptions applied in the calculation of scheme liabilities, which are set out in note 24, represent a key source of estimation uncertainty for the Company.

The provision for dilapidation and reinstatement (note 20), represents the company's **best estimate** of the expectation arising from the reinstatement of the property, this is a key source of estimation uncertainty for the Company.

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 4 Analysis of turnover

	2017 £000	2016 £000
External	33,979	28,563
Intercompany	17,011	15,978
	<u>50,990</u>	<u>44,541</u>

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	18,788	16,759
Rest of Europe	26,495	22,951
Rest of World	5,707	4,831
	<u>50,990</u>	<u>44,541</u>

The Company operates as one class of business therefore only an analysis by country of destination is included.

### 5 Profit for the financial year

The profit for the financial year has been arrived at after charging:

	2017 £000	2016 £000
Research and development charged as an expense	355	467
Depreciation of tangible fixed assets	786	793
Exchange differences	349	(237)
Inventories expensed in the year	37,188	34,639
Movement on bad debt provision	84	28
Operating lease costs	1,446	1,305
Defined contribution pension cost (see note 24)	394	380
Staff costs (see note 7)	8,893	8,899
Loss on sale of fixed assets	-	69

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 6 Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees payable to the Company's auditor and its associates for the audit of the annual accounts	25	23

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group accounts of the parent company.

### 7 Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £000	2016 £000
Wages and salaries	8,893	8,899
Social security costs	856	855
Cost of defined contribution scheme	393	380
	<b>10,142</b>	<b>10,134</b>

The average monthly number of employees during the year was as follows:

	2017 No	2016 No
Employees	250	260

### 8 Directors' remuneration

In the current year all directors were remunerated through another Group company and their costs were not recharged as no practical allocation could be made.

### 9 Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	613	563
Bank interest receivable	9	-
	<b>622</b>	<b>563</b>

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 10 Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	-	141
On loans from group undertakings	1,829	1,726
	<u>1,829</u>	<u>1,867</u>

### 11 Taxation

	2017 £000	2016 £000
<b>Corporation Tax</b>		
Current tax on profits for the year	1,222	515
Adjustments in respect of previous periods	(16)	81
<b>Total current tax</b>	<u>1,206</u>	<u>596</u>
<b>Deferred Tax</b>		
Movement in deferred tax recognised	(83)	25
<b>Total deferred tax</b>	<u>(83)</u>	<u>25</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,123</u>	<u>621</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 – higher than) the standard rate of corporation tax in the UK of 20% (2016 – 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	<u>5,863</u>	<u>1,054</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 – 20%)	1,173	211
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	21	82
Non-tax deductible interest from debt cap adjustment	243	104
Capital allowances for year in excess of depreciation	-	143
Changes in rate	(6)	-
Adjustments to tax charge in respect of prior years	(60)	81
Deferred tax previously unrecognised	(248)	-
<b>Total tax charge for the year</b>	<u>1,123</u>	<u>621</u>

Finance Act 2016, enacted in September 2016, further reduced the rate to 17% from 1 April 2020.

Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these financial statements which has resulted in a charge to the profit & loss account of £157. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 12 Tangible fixed assets

	Short Term Leasehold Property £000	Plant & machinery £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2016	2,899	22,376	157	25,432
Additions	-	801	203	1,004
Disposals	-	(226)	-	(226)
Transfers between classes	-	143	(143)	-
<b>At 31 March 2017</b>	<b>2,899</b>	<b>23,094</b>	<b>217</b>	<b>26,210</b>
<b>Depreciation</b>				
At 1 April 2016	2,899	18,380	-	21,279
Charge for the period	-	786	-	786
Disposals	-	(218)	-	(218)
<b>At 31 March 2017</b>	<b>2,899</b>	<b>18,948</b>	<b>-</b>	<b>21,847</b>
<b>Net book value</b>				
At 31 March 2017	-	4,146	217	4,363
At 31 March 2016	-	3,996	157	4,153

The amount contracted but not provided for in the accounts at 31 March 2017 was £300,080 (2016 - £93,000).

The net book value of land and buildings may be further analysed as follows:

	2017 £000	2016 £000
Short leasehold	-	-



# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 13 Fixed asset investments

	Investments in associates £000
<b>Cost and net book value</b>	
At 31 March 2017 and 31 March 2016	<u>20,001</u>

Scapa UK Limited invested in a Scottish Limited Partnership (SLP) called Scapa Limited Partnership, Registered address 13 Queen's Road, Aberdeen, AB15 4YL. This investment made Scapa UK Limited the limited partner in the SLP and additionally gives Scapa UK Limited the capital rights to all partnership assets after a set order of income distributions. The investment in the SLP is held as a fixed asset investment and is carried at cost less impairment.

### 14 Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,531	1,075
Work in progress (goods to be sold)	1,046	769
Finished goods and goods for resale	1,287	1,261
	<u>3,864</u>	<u>3,105</u>

### 15 Debtors

	2017 £000	2016 £000
<b>Due after more than one year</b>		
Deferred taxation (note 21)	558	475
Amounts owed by group undertakings	29,349	24,837
	<u>29,907</u>	<u>25,312</u>

Amounts owed by group undertakings constitute loans which have terms of more than one year, are unsecured and carry interest at a variable rate.

	2017 £000	2016 £000
<b>Due within one year</b>		
Trade debtors	7,340	5,554
Amounts owed by associated undertakings	2,070	1,973
Other debtors	130	18
Prepayments and accrued income	452	297
	<u>9,992</u>	<u>7,842</u>

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 16 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	882	2,439

### 17 Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Payments received on account	-	4
Trade creditors	6,755	5,821
Amounts owed to group undertakings	92	207
Amounts owed to associated undertakings	475	1,084
Corporation tax	1,222	515
Taxation and social security	14	2
Other creditors	39	153
Accruals and deferred income	674	581
	9,271	8,367

### 18 Creditors: Amounts falling due after more than one year

	2017 £000	2016 £000
Amounts owed to group undertakings	37,931	37,930

Amounts owed to group undertakings constitute loans which have terms of more than one year, are unsecured and carry interest at a variable rate.

### 19 Financial instruments

	2017 £000	2016 £000
<b>Financial assets</b>		
Financial assets measured at fair value through profit and loss	882	2,439
Financial assets that are debt instruments measured at amortised cost	38,889	32,383
	39,771	34,822
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(45,966)	(45,777)

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 20 Provisions

	Dilapidation and Reinstatement £000
At 1 April 2016	1,110
Charged to profit and loss	312
At 31 March 2017	<u>1,422</u>

The Company leases a number of its properties and in certain instances the company is required to complete dilapidation and reinstatement work before the end of the tenancy. The amount shown above represents the company's best estimate of the expectation arising from the reinstatement of the property.

### 21 Deferred taxation

	Deferred tax £000
At 1 April 2016	475
Movement in the year	83
At 31 March 2017	<u>558</u>

#### In respect of prior year:

	Deferred tax £000
At 1 April 2015	500
Movement in the year	25
At 31 March 2016	<u>475</u>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Retirement benefit liabilities	<u>558</u>	<u>475</u>

Deferred tax is only recognised to the extent that it will be recoverable in future periods, unrecognised deferred tax is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	1,963	2,072
Short term timing differences	41	22
Tax losses	100	177
	<u>2,104</u>	<u>2,271</u>

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 22 Share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid 4 (2016 – 4) Ordinary shares of £1 each	4	4

The Company has one class of ordinary shares which carry no right to fixed income.

### 23 Reserves

#### Profit & loss account

The profit and loss reserve represents cumulative profits and losses, net of dividends.

### 24 Pension commitments

#### (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 2017 was £0.4m (2016: £0.3m).

#### (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.

The IAS 19 Retirement Benefits valuations have been updated from the prior year using formal valuation calculations carried out as at 1 April 2014, in order to assess the liabilities of the schemes at 31 March 2017. Scheme assets are stated at their market value at 31 March 2017. 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 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 2017, the IAS calculations have been performed using standard actuarial tables known as S2PA. Future improvements in mortality rates have been allowed for using the core CMI 2013 model, with a long-term rate of improvement of 1.25% per annum. In the current year these tables have been adjusted with a loading to reflect the geographic membership profile of the scheme. During the year to March 2017 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 on the 1 April

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 24 Pension commitments (continued)

2014 actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2017 disclosures.

Actuarial assumption sensitivities

The calculation of the scheme's deficits is sensitive to changes in the underlying assumptions listed above. An exemption has been taken from disclosing the sensitivities as they can be found in the financial statements for Scapa Group plc (see note 27).

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	(48,794)	(56,343)
Settlement (included within staff costs)	103	3,565
Interest income	(1,632)	(1,747)
Experience gains	-	796
Changes in assumptions	(8,066)	2,320
Benefits paid	2,688	2,615
<b>At the end of the year</b>	<b>(55,701)</b>	<b>(48,794)</b>
	2017 £000	2016 £000
At the beginning of the year	42,055	(46,044)
Expected return on scheme assets	1,414	1,420
Actual return less expected return on scheme assets	6,954	575
Settlement	-	(3,369)
Benefits paid	(2,688)	(2,615)
<b>At the end of the year</b>	<b>47,735</b>	<b>42,055</b>
	2017 £000	2016 £000
Fair value of plan assets	47,735	42,055
Present value of plan liabilities	(55,701)	(48,794)
<b>At the end of the year</b>	<b>(7,966)</b>	<b>(6,739)</b>

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 24 Pension commitments (continued)

The amounts recognised in the profit and loss account are as follows:

	2017 £000	2016 £000
Current service cost	(218)	196
Past service cost	103	1,420
Losses on curtailments and settlements	-	(1,747)
<b>Total</b>	<b>(115)</b>	<b>(131)</b>
Actual return less expected return on scheme assets	6,954	575
Experience gains/losses arising on scheme liabilities	-	638
Changes in assumptions underlying the present value of the scheme liabilities:		
- Demographic assumptions	-	1,568
- Financial assumptions	(8,066)	752
	<b>(1,112)</b>	<b>3,691</b>
	<b>2017 £000</b>	<b>2016 £000</b>
Actuarial gains and (losses)	<b>(1,112)</b>	<b>3,691</b>
	<b>2017 £000</b>	<b>2016 £000</b>
Opening fair value of scheme	(6,739)	(10,299)
Total remeasurements	(1,112)	3,691
Expenses in the P&L	(115)	(131)
	<b>(7,966)</b>	<b>(6,739)</b>

# Scapa UK Limited

## Notes to the financial statements For the Year Ended 31 March 2017

### 24 Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	2.45	3.45
Price Inflation (RPI)	3.10	2.85
Price Inflation (CPI)	2.10	1.85
Future pension increase - RPI max 5%	2.97	2.95
Future pension increase - RPI max 3%	2.33	2.60
Amount of pension commuted for cash	25.00	25.00

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Defined benefit obligation	(55,701)	(48,794)	(56,343)	(51,959)	(81,182)
Fair value of plan assets	47,735	42,055	46,044	51,959	77,578
Net Liability	(7,966)	(6,739)	(10,299)	-	(3,604)
Experience adjustments on scheme liabilities	(8,066)	796	638	(5,398)	4,886
Experience adjustments on scheme assets	6,954	575	7,352	2,267	(10,698)

### 25 Commitments under operating leases

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	1,185	1,207
Later than 1 year and not later than 5 years	1,784	2,256
Later than 5 years	-	34
	2,969	3,497

# Scapa UK Limited

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## Notes to the financial statements For the Year Ended 31 March 2017

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### **26 Related party transactions**

The pension scheme is a related party to the Company; there were no contributions outstanding at the year end. 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. There are no other related party transactions.

### **27 Controlling party**

The Company's immediate parent company is Porritts & Spencer Limited, a company incorporated in England and Wales.

The ultimate parent undertaking is Scapa Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The directors consider Scapa Group plc, a company incorporated in England and Wales, as the ultimate controlling party.

Copies of the consolidated financial statements of Scapa Group plc may be obtained from the Company Secretary, Scapa Group plc, Manchester Road, Ashton Under Lyne, Greater Manchester, OL7 0ED.