Registered number: 3261510

Scapa UK Limited

Annual report and financial statements

For the Year Ended 31 March 2020

Company information

Directors	O Zahn W Dickinson
Company secretary	W Baker
Registered number	3261510
Registered office	Manchester Road 997 Manchester Road Ashton Under Lyne Greater Manchester OL7 0ED
Auditor	Deloitte LLP Statutory Auditor Manchester, UK
Bankers	HSBC Bank Plc 4 Hardman Square Spinningfields Manchester M3 3EB

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Strategic report
For the Year Ended 31 March 2020

Business review and principal activities

The Company's principal activity is the manufacture of adhesive foams and specialist tape into the Industrial market. Up until June 2019, with the closure of the Dunstable site, activities also included manufacturing into the Healthcare market. The Company is a subsidiary of Scapa Group plc and as such follows all Group policies.

Loss before tax in the year ending 31 March 2020 was £3,002,000 (2019 - £10,528,000). There was a tax benefit for the year ending 31 March 2020 of £395,000 (2019 – £939,000) comprising of corporation tax benefit of £154,000 (2019 – £56,000) and a deferred tax benefit of £241,000 (2019 - £883,000) – please see note 12 for further explanation.

The loss declined compared to prior year largely in relation to cost savings from the site closures of Dunstable and Luton in financial year 2020. Revenue also declined in line with these closures, the Luton site was closed May 2019, Dunstable site initially ceased operation in June 2019, it was then reopened in January 2020 until the end of the year to provide additional operational support. Costs associated with the closure of the Dunstable site, reported in exceptional costs totalled £955,000 (2019 - £8,735,000).

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 26.

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.*

Future developments

As the Company navigates through the COVID-19 pandemic it is difficult to predict how long restrictions will be in place and what recovery will look like. However, it is clear the world post-COVID-19 will be very different. The Company strategy is to position itself to react quickly to change and take advantage of opportunities as they emerge to maximise profit margin and cash flow. The Company expects an impact to revenue in FY21, forecasting a reduction of 36% compared to pre-COVID-19 budget in the first half of the year.

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 pages 1 to 48 which does not form part of this report.

Strategic report (continued)
For the Year Ended 31 March 2020

The key risks for the Company are:

Economic and political risk:
The Company's activities expose it to political and economic uncertainty, e.g. Brexit and trade relations, which affects market and financial stability. This is managed by; regular risk assessments competed on macro-economic impact on key business areas, e.g. Supply Chain, Tax and People. Authorised Economic Operator status in place for key freight providers and the implementation of a regional alternative dual-sourcing strategy for key suppliers. A Brexit policy has also been approved by the Board.

COVID-19 risk:
The COVID-19 pandemic has impacted all territories and market segments which the Company operate. The Company is operating under government control measures and has implemented the furlough scheme across the business. Despite this, operation has continued as Industrial businesses have been classified as essential business. The Company continues to monitor government advice and respond accordingly.

Foreign exchange risk:
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchanges 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. As revenue deteriorated in FY21 Q1 measures were immediately put in place including focus on a reduction in Capital spend and working capital and utilising the UK Government furlough scheme to maximise the liquidity position. Scapa PLC has also refinanced raising an additional £15m RCF and completed a share placement raising a further £32.6m which the Company has access to as part of its inter group funding.

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.

To help strengthen the balance sheet position and aid in improving liquidity in March 2020 Scapa PLC agreed a deferment of UK pension contribution payment with the scheme Trustee.

Strategic report (continued)
For the Year Ended 31 March 2020

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 of the following:

Revenue decrease of 17.1% (2019 – 18.9%), of which 0.6% (2019 – 1%) relates to exchange rate differences and 1.5% (2019 – 18%) is due to the decrease in sales to existing customers and 15% relates to closure of Dunstable site and associated revenue (2019 – nil).

Loss before tax of £3,002,000 (2019 - £10,528,000), Improvement on the loss position follows the closure of the Dunstable site, this has led to a decrease in revenue as production ceased June 2019 offset by reductions in expenditure.

Capital expenditure 2020 was £199,000 (2019 – 821,000). Decrease in spend mainly relating to closure of Dunstable site where there was no capital investment during 2020, this closure also focused on transferring already owned assets to other sites including Ashton rather than purchase of new plant and machinery.

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 10th August 2020.

W Dickinson

Director

Directors' report
For the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

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.

Matters included within the Strategic report

In accordance with s414(C) (11) of the Companies Act, included in the Strategic report is information relating to financial risk management (included within principal risks and uncertainties), principal activities, business review, key performance indicators and future developments which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (accounts and reports) regulation 2008' to be contained in a Director's report.

Results and dividends

The loss for the year, after taxation, amounted to £2,607,000 (2019 - £9,589,000).

The directors do not recommend the payment of a dividend (2019 - nil).

Research and development costs incurred in the year amount to £150,000 (2019 - £491,000), these were all expensed in the year.

The Company's results for the financial year are analysed in the Strategic report on page 4.

Directors' report (continued)
For the Year Ended 31 March 2020

Directors

The directors who served during the year and thereafter were:

W Dickinson
O Zahn

Directors' indemnities

Qualifying third party indemnity provisions, as defined in section 234 of the Companies Act 2006, are in force for the benefit of Directions who held office during the year. The Company maintains directors' and officers' liability insurance for the Groups directors and officers.

Going concern

After making due enquiries with, and after obtaining written confirmation from the Company's ultimate parent entity Scapa Group plc that they are willing to provide all necessary financial support, and after considering the results of the Group's forecasting and risk assessment process, the uncertain economic environment in which the business operates and the factors affecting the current and future performance of the overall Group as set out in its annual report, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements – see Note 2.2. While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and its ultimate parent entity continues to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity.

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 he/she ought to have taken as director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

The onset of COVID-19 pandemic in February will have a greater impact on FY21 than it did on FY20, so as the Company navigates through the COVID-19 pandemic it is difficult to predict how long restrictions will be in place and what recovery will look like. However, it is likely that the world post-COVID-19 will be very different. The Company strategy, aligned to that of its ultimate parent company Scapa Group plc, is to position itself to react quickly to change and take advantage of opportunities as they emerge to maximise results.

Directors' report (continued)
For the Year Ended 31 March 2020

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 10th August 2020.

W Dickinson

Director

Independent auditor's report to the shareholders of Scapa UK Limited
For the Year Ended 31 March 2020

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Scapa UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 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, 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.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the shareholders of Scapa UK Limited (continued)
For the Year Ended 31 March 2020

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.

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 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 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.

Independent auditor's report to the shareholders of Scapa UK Limited (continued)
For the Year Ended 31 March 2020

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

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.

C. J. Robertson

Christopher Robertson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, UK

10th August 2020.

Profit and loss account
For the Year Ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	4	32,920	39,712
Cost of sales		(28,509)	(34,801)
Gross profit		4,411	4,911
Distribution costs		(993)	(1,166)
Administrative costs		(4,925)	(12,836)
Operating loss		(1,507)	(9,091)
Adjusted operating loss*		(252)	(579)
Exceptional costs	5	(1,255)	(8,512)
Operating loss		(1,507)	(9,091)
Interest receivable and similar income	10	608	661
Interest payable and similar charges	11	(2,103)	(2,098)
Loss on ordinary activities before tax		(3,002)	(10,528)
Tax on loss on ordinary activities	12	395	939
Loss for the year	6	(2,607)	(9,589)

* Loss before tax, interest and exceptional items

The notes on pages 17 to 39 form part of these financial statements.

Turnover and operating profit are derived from continuing operations.

Statement of comprehensive income
For the Year Ended 31 March 2020

	Note	2020 £000	*2019 £000*
Loss for the financial year		**(2,607)**	*(9,589)*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit schemes	26	**2,121**	*4,382*
Deferred tax on pension reserve adjustment		**120**	*(90)*
Total comprehensive expense for the year		**(366)**	*(5,297)*

The notes on pages 17 to 39 form part of these financial statements.

Balance sheet
As at 31 March 2020

	Note		2020 £'000		2019 £'000
Non-current assets					
Tangible assets	13		1,782		2,762
Right of use assets	15		1,556		-
Investments	14		20,001		20,001
			23,339		22,763
Current assets					
Stocks	16	3,069		4,793	
Debtors: amounts falling due after more than one year	17	25,825		28,974	
Debtors: amounts falling due within one year	17	4,732		6,430	
Cash at bank and in hand	18	1,611		811	
		35,237		41,008	
Lease liabilities falling due within one year	15	(722)		-	
Creditors: amounts falling due within one year	19	(6,552)		(8,067)	
Net current assets			27,963		32,941
Total assets less current liabilities			51,302		55,704
Lease liabilities falling due after more than one year	15		(797)		
Creditors: amounts falling due after more than one year	20		(37,934)		(37,933)
			12,571		17,771
Provisions for liabilities					
Other provisions	22		(4,620)		(7,350)
Net assets excluding pension liability			7,951		10,421
Pension liability	26		-		(725)
Net assets			7,951		9,696
Equity					
Called up share capital	24		-		-
Profit and loss account	25		7,951		9,696
Total shareholder's funds			7,951		9,696

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 10th August 2020.

W Dickinson
Director

The notes on pages 17 to 39 form part of these financial statements.

Statement of changes in equity
For the Year Ended 31 March 2020

		Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2018		-	-	**14,970**	**14,970**
Comprehensive income for the year					
Loss for the year		-	-	(9,589)	(9,589)
Actuarial gain on pension scheme	26	-	-	4,382	4,382
Deferred Tax on Pension reserve adjustment		-	-	(90)	(90)
Total comprehensive income for the year		-	-	**(5,297)**	**(5,297)**
Share options charge		-	-	16	16
Impact of initial application of IFRS 9		-	-	7	7
At 31 March 2019		-	-	**9,696**	**9,696**
Comprehensive income for the year					
Loss for the year		-	-	(2,607)	(2,607)
Actuarial gain on pension scheme	26	-	-	2,121	2,121
Deferred Tax on Pension reserve adjustment		-	-	120	120
		-	-		
Loss on changes of asset restriction		-	-	(1,385)	(1,385)
Total comprehensive expense for the year		-	-	**(1,751)**	**(1,751)**
Share options charge		-	-	6	6
At 31 March 2020		-	-	**7,951**	**7,951**

The notes on pages 17 to 39 form part of these financial statements.

1 General information

Scapa UK Limited ('the Company') is a private company limited by shares, incorporated in England, 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 4.

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 hedging's 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 FRS 101, 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 Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of its ultimate parent. The group accounts of Scapa PLC are available to the public and can be obtained as set out in note 28.

The following new standards have been adopted in the year:

IFRS 16 Leases

The standard was adopted on 1 April 2019 replacing IAS 17 Leases and eliminates the classification of leases as either operating leases or finance leases and requiring the recognition of a right-of-use asset and a lease liability at the commencement for all leases, expect for short-term leases and leases of low value assets. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The impact of adoption is disclosed in Note 15.

2 Accounting policies (continued)

Impact of new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is/or contains a lease. The definition of a lease, in accordance with IAS 17 and IFRIC 4, will continue to be applied to those leases entered or changed before 1 April 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in IAS 17 and IFRIC 4.

The Company applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered in to or changed on or after 1 April 2019. The new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Company.

Former operating leases

Applying IFRS 16, for all leases, the Company:

- Recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement.

Lease incentives are recognised as part of the measurement of the right-of-use asset and lease liabilities whereas under IAS 16 they resulted in the recognition of a lease incentive amortised as a reduction of rental expenses on a straight line basis.

Right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented with lease rentals within note 6.

The Company has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

2 Accounting policies (continued)

Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased asset and obligation under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments.

2.2 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 at least 12 months from the date of the accounts. 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 8, including the assessment of the impact of the COVID-19 pandemic on the Company.

2.3 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 a performance obligation is satisfied by transferring a promised good or service to a customer, this is when the customer obtains control of that good or service. A performance obligation may be satisfied at a point in time or over time (typically for promises to transfer goods to a customer). For a performance obligation satisfied over time, an appropriate measure of progress would be selected to determine how much revenue should be recognised as the performance obligation is satisfied.

2.4 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 and fixtures	- between 5 and 20 years
Computer systems and software	- between 3 and 8 years

2 Accounting policies (continued)

The assets' residual values and useful lives are reveiwed, and adjusted prospectively, if apporpriate. An assets carrying amount is written down to its recoverable amount if it is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Other expenses' in the income statement.

2.5 Leases

On transition to IFRS 16, Scapa UK recognised a right-of-use assets and a lease liability.

The asset is initially measured at cost, which comprises the initial amount of the lease liability. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease.

The lease liability is initially measured at the present value of lease payments due as at the commencement date. This is discounted by an externally assessed incremental borrowing rate that reflects the individual lease characteristics, the currency and jurisdiction in which the lease is made and the term of the arrangement.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Further detail on the accounting for leases can be found in adoption of new and revised standards and note 15.

2.6 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.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where circumstances indicate that there may have been impairment in the carrying value an impairment review is carried out using cash flows from approved forecasts and projections discounted at the weighted average cost of capital.

2.8 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 Accounting policies (continued)

2.9 Debtors

Debtors are measured at transaction price, less any impairment. A provision for impairment is established when there is objective evidence that Scapa UK will not be able to collect all amounts due according to the original terms of the debt. The provision is recognised in the Income Statement as an operating charge. 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.

2.10 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.

2.11 Financial instruments

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 money, goods or services are provided 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.

2.12 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.

2.13 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 Accounting policies (continued)

2.14 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.

Where a defined pension scheme is in surplus this is recognised on the balance sheet only to the extent the Group can demonstrate that is has an unconditional right to refund in relation to the surplus. Where an unconditional right to a refund cannot be demonstrated the asset is restricted to nil.

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. The Company 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.

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.

2.15 Interest income

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

2 Accounting policies (continued)

2.16 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.

2.17 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.

3 Critical accounting estimates and judgements

The Company'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.

3 Critical accounting estimates and judgements (continued)

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 has been particularly complex or involving subjective assessments:

The Pension scheme, when measured under IAS 19, resulted in a surplus of £1.4m and the recognition of this surplus was assessed in-line with requirements of paragraph 11(b) of IFRIC14. This states that the pension surplus can be recognised in the accounts if the Company can demonstrate an unconditional right to a refund in all of the three circumstances specified in IFRIC14 – these three scenarios are:

a) During the life of the plan, without assuming that the plan liabilities must be settled in order to obtain the refund (e.g. in some jurisdictions, the entity may have a right to a refund during the life of the plan, irrespective of whether the plan liabilities are settled);

b) Assuming the gradual settlement of the plan liabilities over time until all members have left the plan; or

c) Assuming the full settlement of the plan liabilities in a single event (i.e. as a planned wind-up).

The Company cannot demonstrate an unconditional right to a refund in either Scenario A or C, but can demonstrate this right in Scenario B, i.e. the gradual settlement of the scheme liabilities over time until all members have left the scheme.

As the Company cannot demonstrate an unconditional right to a refund of surplice in all the scenarios, no surplus has been recognised for the defined benefit scheme in the Company accounts.

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, are 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 26, represent a key source of estimation uncertainty for the Company. The Company also applies sensitivities to these assumptions to assess the financial impact; these sensitivities are set out in note 26.

4 Analysis of turnover

	2020 £000	2019 £000
External	**18,718**	*24,205*
Intercompany	**14,202**	*15,507*
	32,920	*39,712*

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	**7,963**	*10,684*
Rest of Europe	**19,826**	*23,213*
Rest of World	**5,131**	*5,815*
	32,920	*39,712*

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

5 Exceptional costs/(income)

	2020 £000	2019 £000
Korean Site closure and relocation costs	**-**	*(554)*
Dunstable Site closure and reorganisation costs	**955**	*8,735*
Potential HSE penalty	**300**	*-*
Pension GMP	**-**	*331*
	1,255	*8,512*

On the 23 May 2017 the Group announced its intention to exit production in Korea and transfer the technology and plant & machinery to other existing sites within the Group including the UK sites. As a result, Scapa UK booked exceptional expenses of £594,000 in 2018 relating to the costs of the closure and associated transfer costs, during 2019 the decision was made to move the machinery to France, which resulted in the provision no longer being required. As a result, the expenses of £554,000 was transferred out of Scapa UK during FY19.

The Dunstable and Luton manufacturing facility in the UK entered a formal closure consultation process following the initial closure announcement in September 2018 and the closure was confirmed in October 2018 following the consultation period. During FY19 the operational excellence team carried out a full cost assessment for the closures of the sites and transfer of the appropriate assets totalling £8.7m. During FY20 an additional £955k of costs relating to the closure of Dunstable site were expensed.

The Company has been charged under Section 2(1) of the Health and Safety at Work Act 1974. A guilty plea has been entered at Luton Magistrates' Court in respect of this offence and the financial penalty in relation to this offence will be determined in August 2020; the Company has created a provision of £300k in anticipation of the penalty.

5 Exceptional costs/(income) (continued)

Pension GMP equalisation costs were incurred in FY19 following the Lloyds High Court Case on the recognition of GMP in UK pension scheme liabilities, this was calculated to increase Scapa UK pension scheme liability by £331k as at the end of March 2019.

6 Loss for the financial year

The loss for the financial year has been arrived at after charging/(crediting):

	2020 £000	2019 £000
Research and development charged as an expense	150	491
Depreciation of tangible fixed assets	545	836
Depreciation of right of use assets	656	-
Exchange differences	55	(6)
Inventories expensed in the year	28,509	34,801
Movement on bad debt provision	22	11
Lease rentals and associated costs	56	1,426
Defined contribution pension cost (see note 8)	290	380
Staff costs (see note 8)	5,181	7,679

7 Auditor's remuneration

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

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the annual accounts	53	46

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.

8 Employees

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

	2020 £000	2019 £000
Wages and salaries	5,181	7,679
Social security costs	481	708
Cost of defined contribution scheme	290	380
	5,952	8,767

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

	2020 No	2019 No
Office and Management	42	47
Research and Development	3	5
Operations	125	157
	170	209

9 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. Details of Group directors' remuneration is disclosed in the accounts of Scapa Group plc.

10 Interest receivable

	2020 £000	2019 £000
Interest receivable from group companies	605	659
Bank interest receivable	3	2
	608	661

11 Interest payable and similar charges

	2020 £000	2019 £000
On loans from group undertakings	2,016	1,975
Other interest payable (Inc. IFRS 16)	87	123
	2,103	2,098

12 Taxation

	2020 £000	*2019 £000*
Corporation tax		
Current tax on profits for the year	1	*(27)*
Adjustments in respect of previous periods	(155)	*(29)*
Total current tax	**(154)**	*(56)*
Deferred tax		
Movement in deferred tax recognised	(241)	*(883)*
Total deferred tax	**(241)**	*(883)*
Taxation on profit on ordinary activities	**(395)**	*(939)*

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 – higher than) the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £000	*2019 £000*
Loss on ordinary activities before tax	(3,002)	*(10,528)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	(571)	*(2,000)*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	86	*326*
Changes in rate	(79)	*68*
Adjustments to tax charge in respect of prior years	(384)	*(1)*
Deferred tax previously unrecognised	553	*668*
Total tax charge for the year	**(395)**	*(939)*

A deferred tax rate of 19% has been applied to opening balances and movements in deferred tax in the year ended 31 March 2020 as the substantially enacted reduction in the UK corporation tax rate has been retracted in the Finance Bill 2020. There is no expiry date on timing difference, unused tax losses or tax credits.

Notes to the financial statements (continued)
For the Year Ended 31 March 2020

13 Tangible fixed assets

	Short Term Leasehold Property	Plant, Fixtures, Computer systems and software	Assets under construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2019	2,899	24,250	231	27,380
Additions	-	154	46	200
Disposals	(574)	(7,982)	-	(8,556)
Transfers between classes	-	228	(228)	-
At 31 March 2020	2,325	16,650	49	19,024
Depreciation				
At 1 April 2019	2,899	21,719	-	24,618
Charge for the year	-	545	-	545
Disposals	(574)	(7,347)	-	(7,921)
At 31 March 2020	2,325	14,917	-	17,242
Net book value				
At 31 March 2020	-	1,733	49	1,782
At 31 March 2019	-	2,531	231	2,762

The amount contracted but not provided for in the accounts at 31 March 2020 was £50,100 (2019 - £87,800).

14 Fixed asset investments

	Investments in subsidiaries
	£000
Cost and net book value	
At 31 March 2020 and 31 March 2019	20,001

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.

15 Right of use assets

The Company leases land, buildings, vehicles and equipment under non-cancellable lease arrangements. The leases have varying terms, including escalation clauses, renewal rights and purchase options. None of these terms represent unusual arrangements or create material onerous or beneficial rights of obligations. Information about leases for which the Company is a lessee is presented below.

	Short Term Leasehold Property	Plant and Machinery	IT Systems	Vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2019	1,826	312	33	23	2,194
Additions	-	18	-	-	18
At 31 March 2020	1,826	330	33	23	2,212
Depreciation					
At 1 April 2019	-	-	-	-	-
Charge for the year	544	86	15	11	656
At 31 March 2020	544	86	15	11	656
Net book value					
At 31 March 2020	1,282	244	18	12	1,556

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

	2020	*2019*
	£000	*£000*
Manufacturing site and offices – Ashton under Lyne	1,282	-

Lease liabilities

Future minimum lease payments as at 31 March 2020 are as follows:

	2020
	£000
Not later than 1 year	722
Later than 1 year and not later than 5 years	790
Later than 5 years	7
	1,519

15 Right of use assets (continued)

When measuring lease liabilities, the Company discounted lease payments using incremental borrowing rate at 1 April 2019. The weighted average rate applied is 5.9%.

	£000
Operating lease commitment at 31 March 2019	3,778
Less leases associated to Dunstable site *	(1,104)
Operating lease commitment at 31 March 2019 relating to Ashton site	**2,674**
Discounting using the incremental borrowing rate at 1 April 2019	(436)
Discounted lease liabilities recognised at 31 March 2019	**2,238**
Less: lease charge for Financial year 2020	(734)
Add: additional leases and extensions Financial year 2020	15
Lease liabilities recognised at 1 April 2019	**1,519**

*Lease contract commitments calculated in Financial year 2019 for Dunstable site has now been cancelled or transferred to other Scapa sites. Remaining leases have been reported under exceptional costs.

Amounts recognised in the income statement

	2020 £000
Interest on lease liabilities	**76**
Expenses relating to short-term and low-value leases *	**191**
Depreciation expense	**656**
	923

*£680k relating to short-term leases has been reported under exceptional costs, this value relates to lease contracts on the Dunstable site. Lease contracts associated with Dunstable have been cancelled or transferred to other Scapa sites, remaining leases relating to rental of property will continue to be reported under exceptional costs in financial year 2021.

16 Stocks

	2020 £000	*2019* *£000*
Raw materials and consumables	**1,344**	*1,288*
Work in progress (goods to be sold)	**588**	*1,355*
Finished goods and goods for resale	**1,137**	*2,150*
	3,069	*4,793*

Notes to the financial statements (continued)
For the Year Ended 31 March 2020

17 Debtors

	2020 £000	2019 £000
Due after more than one year		
Deferred taxation (note 23)	1,683	1,321
Amounts owed by group undertakings	24,142	27,653
	25,825	28,974

Amounts owed by group undertakings constitute loans which have terms of more than one year, are unsecured and carry interest at a variable rate between 2.35% and 6.25%. At 31 March 2020 interest rates for Group loan debtors was 2.29%, the loan is due to mature in 2024.

	2020 £000	2019 £000
Due within one year		
Trade debtors	2,802	3,908
Amounts owed by group companies	1,350	1,623
Other debtors	406	405
Prepayments and accrued income	174	467
Current Tax Asset	-	27
	4,732	6,430

18 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	1,611	811

19 Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	5,860	6,836
Amounts owed to other group undertakings	186	632
Taxation and social security	8	26
Other creditors	53	47
Accruals and deferred income	445	526
	6,552	8,067

20 Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Amounts owed to group undertaking	37,934	37,933

Amounts owed to group undertakings constitute loans which have terms of more than one year, are unsecured and carry interest at a variable rate between 2.26% and 4.83%. At 31 March 2020 interest rates for Group loan creditors was 2.29% and 4.83%. Creditor loans are due to mature in 2028 and 2038.

21 Financial instruments

	2020	2019
	£000	£000
Financial assets		
Financial assets measured at fair value through profit and loss	1,611	811
Financial assets that are debt instruments measured at amortised cost	28,737	33,603
	30,348	34,414
Financial liabilities		
Financial liabilities measured at amortised cost	(46,005)	(46,000)

22 Provisions

	Reorganisation and Leasehold commitments £000
At 1 April 2019	7,350
Provision utilised	2,730
At 31 March 2020	4,620

The £4.6m (2019: £7.4m) reorganisation and leasehold commitments provision relates to dilapidations for leasehold property of £1.1m (2019: £1.1m), £3.5m relates to site closure of the Dunstable site.

Dilapidations
The Company leases a site in Dunstable and Ashton where it 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 Ashton property, this expectation is based on an external assessment carried out by Stephen D Buxton & Associates at the end of Financial year 2019. Dilapidation values relating to Dunstable is included in the £3.5m provision disclosed above. The expected utilisation of the provision ranges between one and five years.

23 Deferred taxation

	Deferred tax £000
At 1 April 2019	1,321
Movement in the year	361
At 31 March 2020	1,683

In respect of prior year:

	Deferred tax £000
At 1 April 2018	529
Movement in the year	792
At 31 March 2019	1,321

23 Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £000	*2019 £000*
Retirement benefit liabilities	**(308)**	*131*
Tax losses	**1,683**	*1,190*

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

	2020 £000	*2019 £000*
Accelerated capital allowances	**2,850**	*2,254*
Short term timing differences	**64**	*56*
Tax losses	**91**	*318*
	3,005	*2,628*

At the balance sheet date, Scapa UK Limited has unused tax losses of £1,775k (2019: £1,769k) available for offset against future profits. A deferred tax asset has been recognised in respect of 9m (2019: £7m) of such losses given uncertainty over the timing of utilisation relating to future profitability. The losses may be carried forward indefinitely.

24 Share capital

	2020 £	*2019 £*
Authorised, allotted, called up and fully paid		
4 (2019:4) Ordinary shares of £1 each	**4**	*4*

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

25 Reserves

Profit & loss account

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

26 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 2020 was £0.3m (2019: £0.4m). There are no outstanding contributions as at 31st March 2020.

(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 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 2020. Scheme assets are stated at their market value at 31 March 2020. The next formal triennial valuation is due on 1 April 2020 and will be completed no later than 30 September 2021.

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 in this note.

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 2020, 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 2020 disclosures.

26 Pension commitments (continued)

Actuarial assumption sensitivities

The calculation of the schemes' deficits is sensitive to changes in the underlying assumptions listed above. The follow tables show the approximate effect to Scapa UK from 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.

	2020 £000
Rate of inflation	
Change in the year end liabilities from a 0.5% increase in the assumed rate of inflation	1,565
Change in the year end liabilities from a 0.5% decrease in the assumed rate of inflation	(1,598)
Discount Rate	
Change in the year end liabilities from a 0.5% increase in the assumed rate of discount	(2,997)
Change in the year end liabilities from a 0.5% decrease in the assumed rate of discount	3,330
Mortality	
Life expectancy of members increases by 1 year	2,131
Life expectancy of members deceases by 1 year	(2,131)
Current pensioners (years):	
Male life expectancy at age 65	85.5
Female life expectancy at age 65	87.5
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	86.8
Female life expectancy at age 65 (currently aged 45)	89.0

Amounts recognised in the balance sheet are determined as follows:

	2020 £000	*2019 £000*
Scapa UK scheme		
Overseas equities	6,095	*5,860*
Corporate bonds	25,026	*26,166*
Fixed interest government bonds	6,553	*4,978*
Index-linked government bonds	4,392	*7,754*
Property	633	*607*
Hedge funds	1,325	*1,452*
Cash and cash equivalents	2,361	*897*
Total market value of assets*	46,385	*47,714*
Present value of scheme liabilities	(45,000)	*(48,439)*
Surplus restriction	(1,385)	-
Net deficit in the schemes	-	*(725)*

*No quoted market price in active market for the UK Scheme investments for 2020 (2019:nil)

26 Pension commitments (continued)

	2020	2019
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(48,439)	(51,020)
Pension GMP equalisation	-	(331)
Interest income	(1,100)	(1,242)
Changes in assumptions	1,294	1,433
Benefits paid	3,245	2,721
At the end of the year	(45,000)	(48,439)

	2020	2019
	£000	£000
Reconciliation of present value of plan assets		
At the beginning of the year	47,714	46,347
Expected return on scheme assets	1,088	1,139
Net Interest Income on scheme assets	105	1,603
Contributions paid	723	1,346
Benefits paid	(3,245)	(2,721)
At the end of the year	46,385	47,714

	2020	2019
	£000	£000
Fair value of plan assets	46,385	47,714
Present value of plan liabilities	(45,000)	(48,439)
Surplus restriction	(1,385)	-
At the end of the year	-	(725)

26 Pension commitments (continued)

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

	2020 £000	2019 £000
Interest on scheme	(11)	(103)
Total	**(11)**	*(103)*

Net Interest Income on scheme assets	105	1,603
Contributions paid	722	1,346
Changes in assumptions underlying the present value of the scheme liabilities:		
- Financial assumptions	1,294	1,433
	2,121	4,382

	2020 £000	2019 £000
Actuarial gains	2,121	4,382

	2020 £000	2019 £000
Opening fair value of scheme	(725)	(4,673)
Expenses in the P&L	(11)	(434)
Actual return on scheme assets	105	1,603
Contributions paid	722	1,346
Change in assumptions	1,294	1,433
Change in surplus restriction	(1,385)	-
	-	(725)

Key financial assumptions used to calculate scheme liabilities under IAS 19:

	2020 %	2019 %
Discount rate	2.25	2.35
Price Inflation (RPI)	1.55	3.20
Price Inflation (CPI)	2.50	2.20
Future pension increase - RPI max 5%	2.50	3.07
Future pension increase - RPI max 3%	2.16	2.40
Amount of pension commuted for cash	25.00	25.00

26 Pension commitments (continued)

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

Defined benefit pension schemes

	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
Defined benefit obligation	**(45,000)**	(48,439)	(51,020)	(55,701)	(48,794)
Fair value of plan assets	**46,385**	47,714	46,347	47,735	42,055
Loss due to change in asset restriction	**(1,385)**	-	-	-	-
Net liability	-	(725)	(4,673)	(7,966)	(6,739)
Experience adjustments on scheme liabilities	**1,088**	1,433	1,994	(8,066)	796
Experience adjustments on scheme assets	**1,298**	1,139	1,134	6,954	575

27 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.

28 Controlling party

The Company's immediate parent Company is Porritts & Spencer Limited, a company incorporated in England. The ultimate parent undertaking and controlling party is Scapa Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Scapa Group plc may be obtained from its registered office, from the Company Secretary, Scapa Group plc, Manchester Road, Ashton Under Lyne, Greater Manchester, United Kingdom, OL7 0ED.

29 Events after the reporting date

The outbreak of COVID-19 was confirmed to be a global pandemic by the World Health Organisation on the 11 March 2020 and only after this date did major governments, such as the UK, start taking significant mitigating steps. The full impact of COVID-19 pandemic on medium and long-term economic activity is not yet known, however the Company continues to monitor the impact on its business through assessment of the overall forecasting and risk assessment process by its ultimate parent entity, Scapa Group plc, and the associated impact on the Company.