Registered number: 3261510

Scapa UK Limited

Annual report and financial statements

For the Year Ended 31 March 2018

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Company Information

Directors	G S Hardcastle W Dickinson
Company secretary	No Secretary appointed
Registered number	3261510
Registered office	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

Contents

Strategic report
For the Year Ended 31 March 2018

Business review

The Company's principal activity is the manufacture of adhesive foams and specialist tape into the Industrial and Healthcare markets. 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 2018 was £1,022,000 (2017 - £5,863,000 profit). There was a nil tax charge for the year ending 31 March 2018 (2017 – £1,123,000 charge) comprising of corporation tax benefit of £29,000 (2017 – £1,206,000 charge) and a deferred tax charge of £29,000 (2017 - £83,000 benefit) – please see note 12 for further explanation.

The fall in profit compared to comparative year is largely in relation to the end of a supply agreement which also resulted in a one off re-organisational cost of £1.1m. Revenue saw a decline as a result of the softening in the wider Wound care market, albeit offset to some extent by a strong performance in the Cable sector and a transfer of some specialist tape business from our Swiss site following the sites closure.

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 25.

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.*

On 10 April 2018, we unfortunately experienced a fatality at our Dunstable site, which has profoundly shocked and saddened us. We are assisting the Health & Safety Executive (HSE) to fully investigate the incident. As a Board, the health, safety and welfare of our people are paramount and we are fully committed to resolving this issue and striving to make sure it never happens again.

Future Developments

The directors expect the general level of activity to remain consistent with the year ended March 2018 in the forthcoming year.

Strategic report (continued)
For the Year Ended 31 March 2018

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 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.

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.

Strategic report (continued)
For the Year Ended 31 March 2018

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 decrease of (4.0)% (2017 – 14.5% growth), of which 1% relates to exchange rate differences and (5)% is due to the decrease in sales to existing customers and loss before tax of £1,022,000 (2017 - £5,863,000 profit), the decrease in profit is due to decrease in sales with the loss of a major customer, adverse exchange rates and reorganisation costs paid out in the third quarter. 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 29 May 2018

W Dickinson

Director

Directors' report
For the Year Ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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 £1,022,000 (2017 - £4,740,000 profit).

The directors do not recommend the payment of a dividend (2017 - same).

Research and development costs incurred in the year amount to £481,000 (2017 - £355,000), these were all expensed in the year.

Directors' report
For the Year Ended 31 March 2018

Directors

The directors who served during the year and thereafter were:

W Dickinson
G S Hardcastle

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 Group's Directors and Officers.

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

Following the fatal incident at Dunstable in April 2018, there is an ongoing investigation by the HSE and accordingly it is premature to determine whether or not there will be a financial impact.

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 29 May 2018

W Dickinson

Director

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2018 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 of Scapa UK Limited (the 'company') 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 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 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.

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.

Independent auditor's report to the shareholders of Scapa UK Limited (continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

Independent auditor's report to the shareholders of Scapa UK Limited (continued)

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.

C. J. Robertson

Christopher Robertson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
5 June 2018

Profit and loss account
For the Year Ended 31 March 2018

	Note	2018 £000	2017 £000
Turnover	4	**48,975**	*50,990*
Cost of sales		**(39,777)**	*(37,188)*
Gross profit		**9,198**	*13,802*
Distribution costs		**(1,337)**	*(1,161)*
Administrative costs		**(5,693)**	*(5,457)*
Exceptional costs	5	**(1,704)**	-
Operating profit		**464**	*7,184*
Interest receivable and similar income	10	**645**	*623*
Interest payable and similar charges	11	**(2,131)**	*(1,944)*
(Loss)/Profit on ordinary activities before tax		**(1,022)**	*5,863*
Tax on Profit/(loss) on ordinary activities	12	**-**	*(1,123)*
(Loss)/Profit for the year	6	**(1,022)**	*4,740*

The notes on pages 16 to 35 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 2018

	Note	2018 £000	2017 £000
(Loss)/Profit for the financial year		**(1,022)**	*4,739*
Other comprehensive income: Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit schemes	25	**3,476**	*(1,112)*
Total comprehensive income for the year		**2,454**	*3,627*

The notes on pages 16 to 35 form part of these financial statements.

Balance sheet
As at 31 March 2018

	Note		2018 £'000		2017 £'000
Tangible assets	13		4,534		4,362
Investments	14		20,001		20,001
			24,535		24,363
Current assets					
Stocks	15	4,884		3,864	
Debtors: amounts falling due after more than one year	16	30,319		29,907	
Debtors: amounts falling due within one year	16	7,836		9,992	
Cash at bank and in hand	17	1,114		882	
		44,153		44,645	
Creditors: amounts falling due within one year	18	(8,874)		(9,271)	
Net current assets			35,279		35,374
Total assets less current liabilities			59,814		59,737
Creditors: amounts falling due after more than one year	19		(37,927)		(37,931)
			21,887		21,806
Provisions for liabilities					
Other provisions	21	(2,244)		(1,422)	
Net assets excluding pension liability			19,643		20,384
Pension liability	25		(4,673)		(7,966)
Net assets			14,970		12,418
Capital and reserves					
Called up share capital	23		-		-
Profit and loss account	24		14,970		12,418
Total shareholder's funds			14,970		12,418

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 29 May 2018.

W Dickinson
Director

The notes on pages 16 to 35 form part of these financial statements.

Statement of changes in equity
For the Year Ended 31 March 2018

		Share capital £'000	Share premium £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2016		-	-	**8,706**	**8706**
Comprehensive income for the year					
Profit for the year		-	-	4,739	4,739
Actuarial loss on pension scheme	25	-	-	(1,112)	(1,112)
Total comprehensive income for the year		-	-	**3,627**	**3,627**
Share options charge		-	-	85	85
At 31 March 2017		-	-	**12,418**	**12,418**
Comprehensive income for the year					
Profit for the year		-	-	(1,022)	(1,022)
Actuarial gains on pension scheme	25	-	-	3,476	3,476
Total comprehensive income for the year		-	-	**2,454**	**2,452**
Share options charge		-	-	98	98
At 31 March 2018		-	-	**14,970**	**14,970**

The notes on pages 16 to 35 form part of these financial statements.

Notes to the financial statements
For the Year Ended 31 March 2018

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 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.

Where relevant, equivalent disclosures have been given in the accounts of Scapa Group plc. The group accounts of Scapa are available to the public and can be obtained as set out in note 28.

The following principal accounting policies have been applied:

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 the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 7.

2 Accounting policies (continued)

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 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.

2.4 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

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. During the year, management reassessed the useful lives of certain plant, fixtures, vehicles and computer systems and software. As this is a change in accounting estimate it has been accounted for prospectively.

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.

2 Accounting policies (continued)

2.5 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.

2.6 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.

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.

2.9 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.

2.10 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 Accounting policies (continued)

2.11 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.

2.12 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.

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 payed 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.

2.15 Interest income

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

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 Accounting policies (continued)

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. 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 noted no critical judgements in applying the Company's accounting policies.

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 25, represent a key source of estimation uncertainty for the Company.

4 Analysis of turnover

	2018 £000	2017 £000
External	30,731	33,979
Intercompany	18,244	17,011
	48,975	50,990

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	13,498	18,788
Rest of Europe	29,337	26,495
Rest of World	6,140	5,707
	48,975	50,990

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

5 Exceptional Costs

	2018 £000	2017 £000
Reorganisation costs	1,110	-
Site closure costs	594	-
	1,704	-

A reorganisation of a UK-site manufacturing facility has resulted in an exceptional reorganisation cost of £1,110,000 in the year for employee-related severance costs.

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 has booked exceptional expenses of £594,000 relating to the costs of the closure and associated transfer costs.

Notes to the financial statements (continued)
For the Year Ended 31 March 2018

6 Profit for the financial year

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

	2018 £000	2017 £000
Research and development charged as an expense	481	355
Depreciation of tangible fixed assets	845	786
Exchange differences	(23)	349
Inventories expensed in the year	39,777	37,188
Movement on bad debt provision	(44)	84
Operating lease costs	1,416	1,446
Defined contribution pension cost (see note 8)	407	394
Staff costs (see note 8)	8,162	8,893

7 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:

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the annual accounts	25	25

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:

	2018 £000	2017 £000
Wages and salaries	8,162	8,893
Social security costs	855	856
Cost of defined contribution scheme	407	393
	9,424	10,142

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

	2018 No	2017 No
Office and Management	49	56
Research and Development	4	4
Operations	180	190
	233	250

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

	2018 £000	2017 £000
Interest receivable from group companies	644	613
Bank interest receivable	1	9
	645	622

11 Interest payable and similar charges

	2018 £000	2017 £000
On loans from group undertakings	1,934	1,829
Other interest payable	197	115
	2,131	1,944

12 Taxation

	2018 £000	2017 £000
Corporation Tax		
Current tax on profits for the year	30	1,222
Adjustments in respect of previous periods	(59)	(16)
Total current tax	(29)	1,206
Deferred Tax		
Movement in deferred tax recognised	29	(83)
Total deferred tax	29	(83)
Taxation on profit on ordinary activities	-	1,123

12 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 – lower than) the standard rate of corporation tax in the UK of 19% (2017 – 20%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	(1,022)	5,863
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 20%)	(194)	1,173
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19	21
Non-tax deductible interest from debt cap adjustment	-	243
Capital allowances for year in excess of depreciation	-	-
Changes in rate	27	(6)
Adjustments to tax charge in respect of prior years	(96)	(60)
Deferred tax previously unrecognised	244	(248)
Total tax charge for the year	-	1,123

Finance Act 2016, which was substantively enacted on 15 September 2016, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020.

In addition, Finance Bill 2017 was substantively enacted on 6 September 2017 which introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the financial statements (continued)
For the Year Ended 31 March 2018

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 2017	2,899	23,094	217	26,210
Additions	-	580	436	1,016
Disposals	-	(129)	-	(129)
Transfers between classes	-	420	(420)	-
At 31 March 2018	2,899	23,965	233	27,097
Depreciation				
At 1 April 2017	2,899	18,948	-	21,847
Charge for the period	-	845	-	845
Disposals	-	(129)	-	(129)
At 31 March 2018	2,899	19,664	-	22,563
Net book value				
At 31 March 2018	-	4,301	233	4,534
At 31 March 2017	-	4,146	217	4,363

The amount contracted but not provided for in the accounts at 31 March 2018 was £299,600 (2017 - £300,080).

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

	2018	*2017*
	£000	*£000*
Short leasehold	-	-

14 Fixed asset investments

	Investments in subsidiaries
	£000
Cost and net book value	
At 31 March 2018 and 31 March 2017	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.

Notes to the financial statements (continued)
For the Year Ended 31 March 2018

15 Stocks

	2018 £000	2017 £000
Raw materials and consumables	1,834	1,531
Work in progress (goods to be sold)	1,144	1,046
Finished goods and goods for resale	1,906	1,287
	4,884	3,864

16 Debtors

	2018 £000	2017 £000
Due after more than one year		
Deferred taxation (note 22)	528	558
Amounts owed by group undertakings	29,791	29,349
	30,319	29,907

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 1.80% and 6.25%

	2018 £000	2017 £000
Due within one year		
Trade debtors	5,159	7,340
Amounts owed by group companies	1,806	2,070
Other debtors	323	130
Prepayments and accrued income	548	452
	7,836	9,992

17 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	1,114	882

18 Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	7,639	6,755
Amounts owed to group undertakings	-	92
Amounts owed to other group undertakings	352	475
Corporation tax	30	1,222
Taxation and social security	45	14
Other creditors	38	39
Accruals and deferred income	770	674
	8,874	9,271

19 Creditors: Amounts falling due after more than one year

	2018 £000	*2017 £000*
Amounts owed to group undertaking	**37,927**	*37,931*

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 1.80% and 6.25%.

20 Financial instruments

	2018 £000	*2017 £000*
Financial assets		
Financial assets measured at fair value through profit and loss	**1,114**	*882*
Financial assets that are debt instruments measured at amortised cost	**37,078**	*38,889*
	38,192	*39,771*
Financial liabilities		
Financial liabilities measured at amortised cost	**(46,771)**	*(45,966)*

21 Provisions

	Reorganisation and Leasehold commitments £000
At 1 April 2017	**1,422**
Charged to profit and loss	**822**
At 31 March 2018	**2,244**

The £2.2m (2017: £1.4m) reorganisation and leasehold commitments provision relates to dilapidations for leasehold property of £1.7m (2017: £1.4m) and £0.6m relating to the Korea site closure.

Dilapidations
The Company leases a number of its properties and in certain instances 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. The expected utilisation of the provision ranges between one and five years.

22 Deferred taxation

	Deferred tax
	£000
At 1 April 2017	558
Movement in the year	(29)
At 31 March 2018	529

In respect of prior year:

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

The deferred tax asset is made up as follows:

	2018	*2017*
	£000	*£000*
Retirement benefit liabilities	529	*558*

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

	2018	*2017*
	£000	*£000*
Accelerated capital allowances	2,142	*1,963*
Short term timing differences	60	*41*
Tax losses	99	*100*
	2,301	*2,104*

At the balance sheet date, Scapa UK Limited has unused tax losses of £550k (2017:£550k) available for offset against future profits. A deferred tax asset has been recognised in respect of £0 (2017: £0) of such losses given uncertainty over the timing of utilisation relating to future profitability. The losses may be carried forward indefinitely.

23 Share capital

	2018	*2017*
	£	*£*
Authorised, allotted, called up and fully paid		
4 (2017:4) Ordinary shares of £1 each	4	*4*

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

24 Reserves

Profit & loss account

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

25 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 2018 was £0.4m (2017: £0.4m). There are no outstanding contributions as at 31st March 2018.

(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 2015, in order to assess the liabilities of the schemes at 31 March 2018. Scheme assets are stated at their market value at 31 March 2018.

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 2018, 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 2017 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 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 on the 1 April 2014 actuarial valuation was 115% for all members. This assumption, reducing the expected longevity of members, has been used in the March 2018 disclosures.

25 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.

	2018 £000
Rate of inflation	
Change in the year end liabilities from a 0.5% increase in the assumed rate of inflation	(1,617)
Change in the year end liabilities from a 0.5% decrease in the assumed rate of inflation	1,683
Discount Rate	
Change in the year end liabilities from a 0.5% increase in the assumed rate of discount	(3,366)
Change in the year end liabilities from a 0.5% decrease in the assumed rate of discount	3,729
Mortality	
Life expectancy of members increases by 1 year	2,211
Life expectancy of members deceases by 1 year	(2,211)
Current pensioners (years):	
Male life expectancy at age 65	85.9
Female life expectancy at age 65	87.8
Future pensioners (years):	
Male life expectancy at age 65 (currently aged 45)	87.3
Female life expectancy at age 65 (currently aged 45)	89.3

The amounts recognised in the Balance Sheet are determined as follows:

	2018 £000	*2017 £000*
Scapa UK scheme		
UK Equities	-	-
Overseas equities	8,025	*10,087*
Corporate bonds	16,615	*16,910*
Fixed interest government bonds	11,586	*10,585*
Index-linked government bonds	3,795	*4,394*
Property	1,032	*1,365*
Hedge funds	4,695	*3,662*
Cash and cash equivalents	599	*732*
Total market value of assets*	46,347	*47,735*
Present value of scheme liabilities	(51,020)	*(55,701)*
Net deficit in the schemes	(4,673)	*(7,966)*

*No quoted market price in active market for the UK Scheme investments for 2018 (2017:same)

25 Pension commitments (continued)

	2018 £000	2017 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(55,701)	(48,794)
Settlement (included within staff costs)	-	103
Interest income	(1,316)	(1,632)
Changes in assumptions	1,996	(8,066)
Benefits paid	4,001	2,688
At the end of the year	(51,020)	(55,701)

	2018 £000	2017 £000
Reconciliation of present value of plan assets		
At the beginning of the year	47,735	42,055
Expected return on scheme assets	1,134	1,414
Net Interest Income on scheme assets	162	5,721
Contributions paid	1,318	1,233
Benefits paid	(4,002)	(2,688)
At the end of the year	46,347	47,735

	2018 £000	2017 £000
Fair value of plan assets	46,347	47,735
Present value of plan liabilities	(51,020)	(55,701)
At the end of the year	(4,673)	(7,966)

Notes to the financial statements (continued)
For the Year Ended 31 March 2018

25 Pension commitments (continued)

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

	2018 £000	*2017 £000*
Interest on scheme	(181)	*(115)*
Total	(181)	*(115)*
Net Interest Income on scheme assets	162	*5,721*
Contributions paid	1,318	*1,233*
Changes in assumptions underlying the present value of the scheme liabilities:		
- Financial assumptions	1,996	*(8,066)*
	3,476	*(1,112)*

	2018 £000	*2017 £000*
Actuarial gains and (losses)	3,476	*(1,112)*

	2018 £000	*2017 £000*
Opening fair value of scheme	(7,966)	*(6,739)*
Expenses in the P&L	(181)	*(115)*
Actual return on scheme assets	162	*5,721*
Contributions paid	1,318	*1,233*
Change in assumptions	1,996	*(8,066)*
	(4,673)	*(7,966)*

25 Pension commitments (continued)

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

	2018	*2017*
	%	*%*
Discount rate	**2.50**	*2.45*
Price Inflation (RPI)	**3.05**	*3.10*
Price Inflation (CPI)	**2.05**	*2.10*
Future pension increase - RPI max 5%	**2.94**	*2.97*
Future pension increase - RPI max 3%	**2.32**	*2.33*
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

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	**(51,020)**	(55,701)	(48,794)	(56,343)	(51,959)
Fair value of plan assets	**46,347**	47,735	42,055	46,044	51,959
Net Liability	**(4,673)**	(7,966)	(6,739)	(10,299)	-
Experience adjustments on scheme liabilities	**1,994**	(8,066)	796	638	(5398)
Experience adjustments on scheme assets	**1,134**	6,954	575	7,352	2,267

26 Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	*2017*
	£000	*£000*
Not later than 1 year	**1,341**	*1,185*
Later than 1 year and not later than 5 years	**1,362**	*1,784*
	2,703	*2,969*

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.