

SCA Products (UK) Limited
(Formerly SCA Graphic Paper UK Limited)
Annual report and financial statements
for the year ended 31 December 2019

Company Registered number 01549728

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SCA Products (UK) Limited

Directors and advisers

Directors

S B King
M Henningsson
M Frolander

Company secretary

M J Day

Independent auditors

Ernst & Young LLP
400 Capability Green, Luton, LU1 3LU

Bankers

National Westminster Bank plc
City of London Office
P O Box 12258
1 Princes Street
London
EC2R 8BP

Registered office

Bradbourne House
New Road
East Malling
West Malling
Kent
ME19 6DZ

Registered number

01549728

SCA Products (UK) Limited

Directors' report for the year ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Change of name

The company changed its name from SCA Graphic Paper UK Limited to SCA Products (UK) Limited on 9 April 2021.

Principal activities

The principal activities of the company continue to be those of an agent for sales of paper in the UK market.

Review of business and future developments

The financial year ended December 2019 was another good year for the UK office, the tonnage was down slightly on 2018 but profitability was almost double that of our colleagues in Europe. A new VP of Sales and marketing was appointed at Ortviken, who aligned the Sweden sales strategy with the UK business to step away from large printers and large publishers and focus on everything else outside these traditional customers. Choosing this strategy has given the business less credit risk during difficult times and also spread the risk. It also gives the opportunity of better margins as the business objective is not to be the best price in the market. We also ventured into the woodfree sheet market, and partnered up with a converter and started selling mechanical sheets via merchants to small printers, which was a whole new market place for the business (Europe has adopted this also now).

The impact of COVID-19 pandemic has been included under the "Going Concern- effects of COVID-19" of the Directors' Report.

At the end of 2020 SCA made the decision to remove itself from the Graphic Paper market. This resulted in some redundancies at the end of the first quarter of 2021. At the same time, there was a divestment of SCA Wood UK, a subsidiary tasked with the supply of SCA wood in the UK. A small element of which was retained, and absorbed into SCA Products (UK) Limited. At this time, the focus of SCA Products (UK) became solely that of wholesale wood in the UK. As a company we are in a strong position with our financial strength and products which will help us grow early next year.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, and foreign currency risk.

Given the size of the company, the directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the company's finance department.

SCA Products (UK) Limited

Directors' report for the year ended 31 December 2019

(continued)

Liquidity risk

The company maintains appropriate finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Foreign currency risk

The company has transactions with other group companies, which are in Euros but the transaction amounts are minimal.

Results and dividends

The company's profit after tax for the financial year is £6,000 (2018: £18,000).

The directors have not declared or paid an interim or final dividend for the year ended 31 December 2019 (2018: Nil).

Going concern – effects of COVID-19

Since the balance sheet date, the Covid-19 pandemic has spread across the world. This has highlighted the importance of both global and local UK supply chains, in which the Company plays an important part.

The Covid-19 pandemic has, at the time of approving these financial statements had only a limited impact on the company. The demand for wood has increased significantly as a result of the following factors:

- Increase in consumer demand for wood products during the first lockdown period in the UK; March to June 2020, followed by continued demand thereafter in both the UK and other global markets.
- Initial restricted supply due to enforced closure of both retail and merchant outlets in the UK; this then followed by a surge of orders after lockdown beyond the capacity of the supply chain to meet.
- Summer 2020 closures of sawmills in Europe as a result of contingency planning due to Covid-19 ultimately leading to a prolonged period where demand is outstripping supply of wood products.

However, our supply chain remains strong and we are working closely within SCA to ensure good supplies of wood products. We also work closely with our terminal operator in Hull, Global Shipping Ltd; and our main haulage providers to ensure continued flow of said products.

The circumstances of Covid-19 currently assessed as significant to the Company are:

- Personnel – the current complement of staff have been home working since the middle of March 2020. The Company will be making arrangements to return to an office during Q3 2021 assuming certain criteria are met. All personnel are expected to follow Covid-19 rules on any occasion where travelling is made, and the Company has also ensured, where possible, the home working environment is suitable.

SCA Products (UK) Limited

Directors' report for the year ended 31 December 2019

(continued)

Going concern – effects of COVID-19 (continued)

- The supply chain is critical to our business, and we work with our various partners and stakeholders to ensure continuous flow of wood products from SCA's sawmills in Sweden to our customer base in the UK. The supply chain has shown to be robust even during the Brexit period at the beginning of 2021.

Demand remains at an exceptional level in both the UK and other global markets for our wood products. This will have a positive effect on our financial result for 2021. However, caution is appropriate as we enter the latter part of 2021 and early 2022 as a correction is likely which could be equally exceptional. However, we continue to see opportunity to grow our business within the UK market.

The Directors have prepared forecasts based on the various scenarios to 30th June 2022, being at least 12 months from the date of approving the financial statements.

The forecasts reflect the change of business model following the transition of the Wood business from SCA Wood UK Ltd to the company in December 2020, SCA Graphic Paper UK Ltd then changed its name to SCA Products (UK) Ltd on 9th April 2021.

These, including the worst-case scenario, demonstrate the company has enough cash resources in order to meet its liabilities as they fall due in the period of these forecasts.

The directors have received a letter of support from the ultimate parent company, Svenska Cellulosa Aktiebolaget SCA (Publ), confirming their support to the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approving the 2019 UK financial statements.

Having considered these forecasts, the parental support and the ability of the parent to support the company after making enquiries and considering the impact of Covid-19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

Directors

The directors who held office during the year and up to the date of signing the financial statements, unless otherwise stated, are as follows:

J O Knuts	(resigned 30 March 2021)
E A Edman	(resigned 7 September 2019)
P B McCarthy	(resigned 31 March 2021)
L Löfgren	(appointed 7 September 2019, resigned 30 March 2021)
S B King	(appointed 30 March 2021)
M Henningsson	(appointed 30 March 2021)
M Frolander	(appointed 30 March 2021)

SCA Products (UK) Limited

Directors' report for the year ended 31 December 2019

(continued)

Post balance sheet events

Since the balance sheet date, the COVID-19 has spread across the world. This is considered a non-adjusting post balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements.

At the end of 2020 SCA made the decision to remove itself from the Graphic Paper market. This resulted in some redundancies at the end of the first quarter of 2021. At the same time, there was a divestment of SCA Wood UK, a subsidiary tasked with the supply of SCA wood in the UK. A small element of which was retained and absorbed into SCA Products (UK) Limited. At this time, the focus of SCA Products (UK) became solely that of wholesale wood in the UK. As a company we are in a strong position with our financial strength and products which will help us grow early next year.

Disclosure of information to auditors

Each of the persons who are directors at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Special exemption

The company was entitled to take advantage of the exemption from the requirement to prepare a strategic report in accordance with Sections 414B and 415A of the Companies Act 2006.

On Behalf of the Board


S B King
Director

Date: 29 June 2021

SCA Products (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared 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* (FRS 101).

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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

Independent auditor's report to the members of SCA Products (UK) Limited

Opinion

We have audited the financial statements of SCA Products (UK) Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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.

Emphasis of Matter – Effects of COVID-19

We draw attention to Note 1 of the financial statements, which describes the potential impact of COVID-19 on the company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Independent auditor's report to the members of SCA Products (UK) Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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 material misstatements in the directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, 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.

Independent auditor's report to the members of SCA Products (UK) Limited (continued)

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 <https://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.

DocuSigned by:

Ernst & Young LLP

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Farzin Radfar (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

Date: June 29, 2021.....

SCA Products (UK) Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	3	869	804
Administrative expenses		(841)	(780)
Operating profit	4	28	24
Finance costs	7	(3)	-
Profit on ordinary activities before taxation		25	24
Tax on profit on ordinary activities	8	(19)	(6)
Profit on ordinary activities for the financial year		6	18
Other comprehensive (expenses)/income		-	-
Total comprehensive income for the year		6	18

The results above relate entirely to continuing operations.

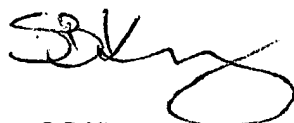
There is no difference between the loss on ordinary activities before taxation and the losses for the financial years stated above and their historical cost equivalents.

SCA Products (UK) Limited

Statement of financial position as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	10	21	17
Right-of-use assets	11	45	-
Total fixed assets		66	17
Current assets			
Debtors	12	195	511
Cash at bank and in hand		607	266
		802	777
Creditors: amounts falling due within one year	13	(453)	(398)
Net current assets		349	379
Total assets less current liabilities		415	396
Creditors: amounts falling due after more than one year	14	(13)	-
Net assets		402	396
Capital and reserves			
Called up share capital	16	200	200
Other reserves	16	500	500
Retained earnings		(298)	(304)
Total equity		402	396

The financial statements were approved by the Board of Directors on 29 June 2021
and were signed on its behalf by:



S B King
Director

Company Registered number 01549728

SCA Products (UK) Limited

Statement of changes in equity for the year ended 31 December 2019

	Note	Called up share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
As at 1 January 2018		200	500	(322)	378
Profit for the year		-	-	18	18
As at 31 December 2018		200	500	(304)	396
As at 1 January 2019		200	500	(304)	396
Profit for the year		-	-	6	6
As at 31 December 2019		200	500	(298)	402

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019

General Information

SCA Products (UK) Limited is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Bradbourne House, New Road, East Malling, West Malling, Kent, ME19 6DZ.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS101") and the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The accounting policies set out below have been consistently applied to all the years presented unless otherwise stated. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

Going concern – effects of COVID-19

Since the balance sheet date, the Covid-19 pandemic has spread across the world. This has highlighted the importance of both global and local UK supply chains, in which the Company plays an important part.

The Covid-19 pandemic has, at the time of approving these financial statements had only a limited impact on the company. The demand for wood has increased significantly as a result of the following factors:

- Increase in consumer demand for wood products during the first lockdown period in the UK; March to June 2020, followed by continued demand thereafter in both the UK and other global markets.
- Initial restricted supply due to enforced closure of both retail and merchant outlets in the UK; this then followed by a surge of orders after lockdown beyond the capacity of the supply chain to meet.
- Summer 2020 closures of sawmills in Europe as a result of contingency planning due to Covid-19 ultimately leading to a prolonged period where demand is outstripping supply of wood products.

However, our supply chain remains strong and we are working closely within SCA to ensure good supplies of wood products. We also work closely with our terminal operator in Hull, Global Shipping Ltd; and our main haulage providers to ensure continued flow of said products.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

Going concern – effects of COVID-19 (Continued)

The circumstances of Covid-19 currently assessed as significant to the Company are:

- Personnel – the current complement of staff have been home working since the middle of March 2020. The Company will be making arrangements to return to an office during Q3 2021 assuming certain criteria are met. All personnel are expected to follow Covid-19 rules on any occasion where travelling is made, and the Company has also ensured, where possible, the home working environment is suitable.
- The supply chain is critical to our business, and we work with our various partners and stakeholders to ensure continuous flow of wood products from SCA's sawmills in Sweden to our customer base in the UK. The supply chain has shown to be robust even during the Brexit period at the beginning of 2021.

Demand remains at an exceptional level in both the UK and other global markets for our wood products. This will have a positive effect on our financial result for 2021. However, caution is appropriate as we enter the latter part of 2021 and early 2022 as a correction is likely which could be equally exceptional. However, we continue to see opportunity to grow our business within the UK market.

The Directors have prepared forecasts based on the various scenarios to 30th June 2022, being at least 12 months from the date of approving the financial statements.

The forecasts reflect the change of business model following the transition of the Wood business from SCA Wood UK Ltd to the company in December 2020, SCA Graphic Paper UK Ltd then changed its name to SCA Products (UK) Ltd on 9th April 2021.

These, including the worst-case scenario, demonstrate the company has enough cash resources in order to meet its liabilities as they fall due in the period of these forecasts.

The directors have received a letter of support from the ultimate parent company, Svenska Cellulosa Aktiebolaget SCA (Publ), confirming their support to the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approving the 2019 UK financial statements.

Having considered their forecasts, the parental support and the ability of the parent to support the company after making enquiries and considering the impact of Covid-19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

New accounting standards, amendments and interpretations

IFRS16 is a new accounting standard that is effective for the year ended 31 December 2019 and has a material impact on the company's financial statements – see note 20. At 1 January 2019 SCA applied the modified retrospective approach, meaning that comparative figures were not restated. The lease liability was measured at the present values of the outstanding lease payments and the right-of-use asset for all leases totalling an amount corresponding to the lease liability, adjusted for prepaid lease payments. The transition does not have any impact on equity.

There are no other amendments to accounting standards that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

Turnover

Turnover, which excludes Value Added Tax represents sales representative fees.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date that the transactions were entered into. Differences that arise from the date of settlement are taken to the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are taken to the statement of comprehensive income.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets represents their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment	25%
Fixtures and fittings	20-25%

Impairment of fixed assets

For fixed assets with finite useful lives a review is carried out at each reporting date to determine whether there has been an indication during the year that an impairment loss may exist. Where an indication of impairment exists, impairment testing is carried out.

For the purposes of impairment testing, the carrying amounts of the tangible assets are reviewed and an impairment loss is recognised where the carrying amount exceeds the asset's recoverable amount.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

Impairment of fixed assets (continued)

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is determined by discounting an asset's estimated future cash flows to its present value using a discount rate which reflects current market assessments of the time value of money and asset specific risks.

Any impairment loss arising is recognised immediately in profit or loss. Where the asset is carried at a re-valued amount, the impairment loss is recognised as a decrease to the revaluation reserve, subject to the re-valuation surplus that has been recognised in equity.

Financial instruments

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

The company's financial assets, which include amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Classification of financial liabilities

The company's financial liabilities, including trade and other payables and amounts due to group undertakings that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest unless repayable within one year.

De-recognition of financial liabilities

Financial liabilities are de-recognised when the company's contractual obligations expire or are discharged or cancelled.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

Taxation

Current tax

The tax currently payable or recoverable is based on taxable profit or loss in the year. Taxable profit or loss differs from net profit or loss as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never repayable or deductible. UK Corporation Tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the financial reporting date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the financial reporting date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the financial reporting date. Deferred tax is measured on an undiscounted basis.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's salaries are received.

Pensions

Defined contribution pension plan

Payments to the defined contribution pension plan are charged as an expense as they fall due.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

Leases

The company leases various offices and equipment. At inception the company assesses whether a contract is, or contains, a lease within the scope of IFRS16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date.

A contract can include components that are not to be classified as lease components, such as services and administration. SCA has chosen to exclude non-lease components for all leases.

Up to and including 2018, SCA classified all leases as operating leases and lease payments were expensed on a straight-line basis over the lease term. From 1 January 2019, all leases are recognised in accordance with IFRS 16 Leases, which means that a lessee must recognise a right-of-use asset and a lease liability in the balance sheet at the date at which the leased asset is available for use by the company. The standard includes exemptions for short-term leases (leases with a lease term of 12 months or less) and leases where the underlying asset has a low value. SCA uses the available exemption, which means that payments for such leases are recognised in the income statement on a straight-line basis over the lease term. Leases covered by the exemption comprise of photocopiers and other small items of office equipment.

On the date of initial application for the lease, the lease liability is measured at the present value of outstanding lease payments. This encompasses fixed fees after deductions for any benefits, variable lease payments linked to index or price and amounts expected to be paid by the lessee in accordance with residual value guarantees. Lease payments include the exercise price for a purchase option if the lessee is reasonably certain of exercising the option and financial penalties to be paid on termination of the lease if the lease term reflects that the lessee will utilise this option. Variable lease payments not linked to price or interest are expensed.

Lease payments are to be discounted using the interest rate implicit in the contract. If that rate cannot be readily determined, lease payments are discounted using SCA's incremental borrowing rate, being the rate that a lessee would have to pay for financing through loans for the equivalent period with similar collateral, for the right-of-use of an asset in a similar economic environment. The SCA group has prepared a method for determining the incremental borrowing rate, which includes the credit rating of individual subsidiaries, the economic environment, contract duration of the lease and class of asset. Updating the incremental borrowing rate is performed on a regular basis of new and modified contracts. After the date of the initial application, the lease liability increases by the interest on the lease liability but decreases as the lease payments are made.

The lease liability is remeasured using a modified discount rate in cases where the lease term changes or if the assessment of an option to purchase the underlying asset changes. The lease liability is remeasured using an unchanged discount rate if the amount expected to be paid in accordance with the residual value guarantees is changed, or future lease payments are changed due to changes in price or index.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies for the year ended 31 December 2019 (continued)

Leases (continued)

On the date of initial application for the lease, the date on which the underlying asset becomes available for use, a right-of-use asset is recognised. Right-of-use assets are measured at cost which includes the sum of the original lease liability, any initial direct fees and an estimate of any recovery expenses. Further-more, cost includes all lease payments made on or before the date of initial application, after deductions for any benefits received in conjunction with signing the lease. After the date of initial application, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment, taking into account adjustments for any revaluation of the lease liability.

Right-of-use assets are depreciated over their useful life, if there is reasonable certainty that a purchase option will be exercised. Otherwise, the lessee must depreciate the right-of-use asset from the date of initial application until whichever occurs first of the end of the useful life or the end of the lease term. If, at accounting year end, there is any indication that right-of-use assets have declined in value, impairment testing is carried out.

Information about critical accounting estimates and assumptions in the application of lease accounting is disclosed in note 2.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

2 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Lease accounting

The lease payments are discounted using the interest rate implicit in the contract. If that rate cannot be readily determined, lease payments are discounted using SCA's incremental borrowing rate, being the rate that a lessee would have to pay for financing through loans for the equivalent period with similar collateral, for the right-of-use of an asset in a similar economic environment. The SCA Group has prepared a method for determining the incremental borrowing rate, which includes the credit rating of individual subsidiaries, the economic environment, contract duration of the lease and class of asset. Updating the incremental borrowing rate is performed on a regular basis of new and modified contracts. The average SCA Group incremental borrowing rate on 1 January 2019 was 3.5%.

3 Turnover

All turnover is derived entirely from group companies and results from the principal activities of the company in the United Kingdom.

4 Operating profit

Operating profit is stated after charging:

	2019	2018
	£000	£000
Depreciation of plant and equipment - owned	5	3
Depreciation of right-of-use assets	26	-
Audit fees payable to company's auditor	14	14

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

5 Directors' emoluments

	2019	2018
	£000	£000
Aggregate Emoluments	195	190

Emoluments paid by the company were in respect of one director (2018: one director). The other directors, who served during the year, are remunerated for their services by other group companies and it is not possible to accurately apportion the time spent in services to the company. Retirement benefits are accruing to one (2018: one) director under a defined contribution scheme.

6 Employee information

The average monthly number of persons employed by the company, including executive directors, during the year is analysed below:

	2019	2018
By activity:	Number	Number
Selling and distribution	7	7
Administration	1	1
	8	8

Employment costs in respect of the above employees:

	2019	2018
	£000	£000
Wages and salaries	623	616
Social security costs	79	77
Other pension costs	114	120
	816	813

7 Finance costs

	2019	2018
	£000	£000
Lease liabilities	3	-

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

8 Tax on profit on ordinary activities

(a) Tax charge included in statement of comprehensive income

	2019 £000	2018 £000
Current tax:		
Current corporation tax credit	20	(68)
Adjustments in respect of prior years	(1)	-
Total current tax	19	(68)
Deferred taxation:		
Origination and reversal of temporary differences (note 15)	-	74
Total deferred tax	-	74
Tax on profit on ordinary activities	19	6

(b) Reconciliation of tax credit expense in the income statement

The tax charge for the year is higher than the standard rate of corporation tax in the UK as follows:

	2019 £000	2018 £000
Profit on ordinary activities before taxation	25	24
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	5	5
Effects of:		
Expenses not deductible for tax purposes	15	10
Adjustment in respect of prior years	(1)	-
Tax rate change in respect of deferred tax balances	-	(9)
Total tax charge in the income statement	19	6

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

8 Tax on profit on ordinary activities (continued)

(c) Factors affecting future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of The Finance Act 2016, which was enacted on 15 September 2016. These included reductions to the main rate to 17% from 1 April 2020 and consequently deferred tax has been recognised at a rate of 17%. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted rate of 17%.

9 Dividends

No dividend was paid during the year ended 31 December 2019 (2018: £NIL).

10 Tangible fixed assets

	Office equipment £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2019	43	25	68
Additions	8	1	9
At 31 December 2019	51	26	77
Accumulated depreciation			
At 1 January 2019	38	13	51
Charge for the financial year	2	3	5
At 31 December 2019	40	16	56
Net book amount at 31 December 2019	11	10	21
Net book amount at 31 December 2018	5	12	17

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

11 Leases

The company has a lease contract for its office premises used in the operations. The amounts recognised in the financial statements in relation to the lease are as follows:

(i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Buildings £000
Cost	
At 1 January 2019	71
Additions	-
At 31 December 2019	71
Accumulated depreciation	
At 1 January 2019	-
Charge for the financial year	26
At 31 December 2019	26
Net book amount at 31 December 2019	45
Net book amount at 31 December 2018	-

Lease liabilities

	2019 £000	2018 £000
Current	26	-
Non-current	13	-
	<u>39</u>	<u>-</u>

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 20.

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

11 Leases (continued)

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Note	2019 £000	2018 £000
Depreciation charge of right-of-use assets			
Buildings		(26)	-
		<u>(26)</u>	<u>-</u>
Interest expense (included in finance cost)	7	(3)	-
Expenses relating to leases of low-value assets (included in administrative expenses)		(2)	-

12 Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	173	162
Corporation tax recoverable	-	321
Deferred taxation	2	2
Prepayments and accrued income	20	26
	<u>195</u>	<u>511</u>

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

13 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	22	13
Amounts owed to group undertakings	281	274
Lease liabilities	26	-
Taxation and social security	65	39
Accruals and deferred income	59	72
	453	398

Amounts owed to group undertakings include an unsecured interest free loan of £274,000 (2018: £274,000), which is repayable on demand.

14 Creditors: amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities (note 11)	13	-
	13	-

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

15 Deferred tax

The amount provided for deferred taxation and the movements during the year were as follows:-

Accelerated capital allowances

	2019 £000	2018 £000
At 1 January	2	2
Deferred tax charge in profit and loss account (note 8)	-	-
At 31 December	2	2

Other timing differences

	2019 £000	2018 £000
At 1 January	-	74
Deferred tax (credit) in profit and loss account (note 8 (a))	-	(74)
At 31 December	-	-
Total at 31 December	2	2

The deferred tax asset has been shown in debtors due within one year (note 12).

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

16 Called up share capital and other reserves

Share capital	2019 £000	2018 £000
Authorised		
200,000 (2018: 200,000) ordinary shares of £1 each	200	200
Allotted, called-up and fully paid		
200,000 (2018: 200,000) ordinary shares of £1 each	200	200

Other reserves

This represents an unconditional shareholders' contribution received during the year ended 31 December 2017 from SCA Forest Products AB.

17 Post-employment benefits

Defined contribution scheme

The company's defined contribution scheme is funded by the payment of contributions to independently administered funds and the assets of the scheme are held separately from those of the company. The pension cost charge for the year amounted to £114,031 (2018: £120,361). Contributions totalling £nil (2018: £nil) were payable to the funds at the year end.

18 Lease commitments

The total of the future minimum lease payments under non-cancellable operating leases (under IAS 17) are as follows:

	2019 £000	2018 £000
Expiring within one year	-	28
Expiring between two and five years	-	48
	-	76

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

19 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of SCA Forest Products AB, a company registered in Sweden.

Svenska Cellulosa Aktiebolaget SCA (Publ), a company incorporated in Sweden, is the parent company of the largest and smallest group to prepare consolidated financial statements. Copies of the financial statements may be obtained from the Secretary, Box 7827, SE-103 97 Stockholm, Sweden.

20 Effect of adoption of IFRS 16 - Leases

As indicated in notes 1 and 11, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using SCA's group incremental borrowing rate as of 1 January 2019. The average incremental borrowing rate on 1 January 2019 was 3.5%.

Measurement of lease liabilities

Operating lease commitments disclosed as at 31 December 2018	76
Discounted using the lessee's incremental borrowing rate of at the date of initial application	71
(Less): Low-value leases not recognised as a liability	(1)
(Less): Adjustments for prepaid lease payments	(6)
Lease liability recognised as at 1 January 2019	64
Of which are:	
Current lease liabilities	25
Non-current lease liabilities	39
Carrying amount of liability	64

SCA Products (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

20 Effect of adoption of IFRS 16 – Leases (continued)

Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £71,000
- Prepayments – decrease by £7,000
- Lease liabilities – increase by £64,000

There was no net impact on retained earnings on 1 January 2019.

21 Post balance sheet events

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. Further details of the impact of COVID-19 on the company and on the directors' assessment of going concern are included in note 1 of the financial statements.

At the end of 2020 SCA made the decision to remove itself from the Graphic Paper market. This resulted in some redundancies at the end of the first quarter of 2021. At the same time, there was a divestment of SCA Wood UK, a subsidiary tasked with the supply of SCA wood in the UK. A small element of which was retained, and absorbed into SCA Products (UK) Limited. At this time, the focus of SCA Products (UK) became solely that of wholesale wood in the UK. As a company we are in a strong position with our financial strength and products which will help us grow early next year.