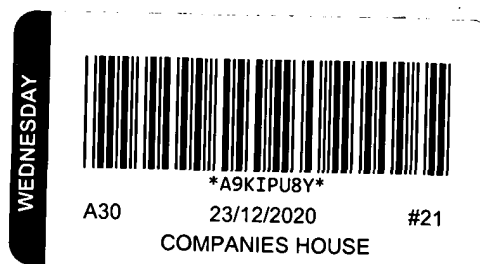




Trelleborg Sealing Solutions UK Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered number: 00446036



Trelleborg Sealing Solutions UK Limited

**Annual report and financial statements
for the year ended 31 December 2019**

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Trelleborg Sealing Solutions UK Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report on the Company for the year ended 31 December 2019.

Principal activities

The principal activity of the Company during the year was the manufacture of high performance fluid seals and precision polymer mouldings for the Automotive, Aerospace and Industrial markets.

Review of the business

Turnover for the year ended 31 December 2019 was £110.9m (2018: £100.4m) and the profit after tax for the financial year was £11.9m (2018: £14.2m). The directors believe that the Company remains in a strong position despite the challenging market conditions. Sales volumes have improved in an uncertain domestic and international market, particularly in a strong Aerospace segment. Turnover has been improved by the translation of sales made in foreign currency into Sterling at a strengthened exchange rate.

Profitability has been impacted by an unfavourable true-up of 2018 management recharges between companies and a higher 2019 charge totalling £4.2m. The Company realised currency losses of £0.4m in 2019 (2018: gains of £0.1m). The movement in the fair value of derivative financial instruments resulted in a net income of £0.6m (2018: expense of £0.5m). The operating business, once again, made efficiency savings to maintain a strong gross profit margin. Actions have been taken to strengthen processes, exercise robust cost control and invest in activities that will deliver improved operating returns and working capital control, and have positioned the business to take advantage of growth opportunities as any arise.

The directors of the company have considered their responsibilities under Section 172(1) of the Companies Act 2006 in their review of the business, however further information on how the directors act in accordance with their responsibilities is stated below.

Future developments

The Company expects to continue the balanced strategy of seeking sales growth in its core activities whilst enhancing operating margins across its manufacturing business units. Covid-19 has significantly impacted on this strategy and is discussed further in the Principal risks and uncertainties section of the Strategic Report and the Going concern section of the Directors' report.

The directors will continue to implement policies to maintain a strong balance sheet to ensure short and long-term liquidity.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to competition from UK and overseas manufacturers, consumer demand, the price and availability of raw materials and the uncertainty surrounding the future business climate as a result of the UK's decision to leave the European Union.

Trelleborg Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2019

Principal risks and uncertainties (continued)

The Company continues to monitor the impact of Britain leaving the EU in January 2020. The Transition Period until the end of 2020 provides further time to plan, and to react to likely outcomes as negotiations over the future relationship progress. The main risk to the company immediately following the end of the Transition Period is considered to be the disruption to the supply chain and logistics in the short term. This will be mitigated through safety stocks where appropriate and close communication with suppliers and carriers. A leadership group continues to meet regularly to evaluate any changes as they occur.

Covid-19 has an ongoing impact on the Company and while the circumstances remain dynamic, the Company has taken and continues to take assertive, steady action to help ensure that its employees as well as its supply chain remain healthy and strong. The Company is part of the bigger Trelleborg Group which has a solid financial base and which confirms continued access of the Company to its liquidities within the group cash pool. It is working with and implementing contingency plans for Covid-19. These address various developments at all operations and, amongst other things, provides plans on how to maintain delivery of materials and products. Our Company response includes remote contact with customers and suppliers, safe physical interactions within the Company's facilities limiting face to face meetings, restricting visitors, increasing the number of hand wash stations, robust cleaning routines, publishing latest information and implementing smart working with home office, online meetings and communication, wherever possible. Unfortunately no one knows how long Covid-19 will cause disruption for, but the Company is working to maintain "business as usual" while being flexible and responsive to changing circumstances during this demanding period.

Financial risk management

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, interest rate risk and credit risk.

Foreign exchange risk arises from transactions when goods and services are bought and sold in currencies other than Sterling. Significant transactions in foreign currencies are managed by placing foreign exchange contracts with a fellow group company, Trelleborg Treasury AB (publ) which manages liquidity risk.

All of the Company's funding is provided via a cash pool facility or inter-group loans from Trelleborg Treasury AB. Interest rate risk includes exposure to changes in the UK Base Rate and LIBOR as interest rates are variable.

The effects of credit risk are controlled as the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed by the Board. The Board receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

As a subsidiary of Trelleborg AB (publ) further details of Group policies in relation to external financial risks can be found in the Annual Report and Financial Statements of Trelleborg AB (publ).

Trelleborg Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2019

Key performance indicators ("KPIs")

The Company's strategy is one of growth with improved profitability. The directors monitor progress against this strategy by reference to a number of KPIs.

Performance for the year, together with comparative data for the previous year is set out in the table below:

	2019	2018	Definition, method of calculation and analysis
Growth in turnover (%)	10.4%	11.8%	Year-on-year turnover growth expressed as a percentage. The year-on-year increase is a result of a strong performance in the Aerospace segment and favourable currency fluctuations.
Return on turnover (%)	13.4%	17.7%	Return on turnover is the ratio of profit on ordinary activities before taxation to turnover expressed as a percentage. Return on turnover has worsened due to a significant adverse true-up of management recharges within the Trelleborg AB group. Gross profit margin was similar to 2018.
Working capital turns	13.7	10.7	Working capital turns is the ratio of turnover to inventory plus trade debtors less trade creditors. Reductions in receivables have driven the improvements in working capital.

Section 172(1) statement

The directors of the Company must act in accordance with the duties detailed in section 172 of the Companies Act 2006 which is summarised as follows:

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interest of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

A key feature of the Trelleborg Group's culture and core values is effective corporate governance with the purpose of supporting the Board of Directors and management of each Group Company to increase customer benefits and achieve greater value and transparency for shareholders.

Trelleborg is a global Group characterized by individual and cultural diversity and shared value systems are therefore particularly important. The Core Values, Customer focus, Innovation, Responsibility and Performance, are long-term commitments, which, when coupled with Trelleborg's business concept, goals and strategies, guide the local directors in making decisions and conducting business. In

Trelleborg Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2019

Section 172(1) statement (continued)

particular, the Core Value of Customer Focus refers to working in partnership with and aiming to add value for our customers, as well as for the company.

Trelleborg's Code of Conduct reflects the Ten Principles of the UN Global Compact, the general concepts expressed in the International Labour Organisation (ILO) conventions, the OECD Guidelines for Multinational Enterprises and the UN Declaration of Human Rights. The Code of Conduct is relevant to everyone in the organisation, regardless of position and is valid in all markets and at all times.

Trelleborg encourages suppliers, sales agents, consultants and other business partners to adopt the UN Global Compact principles as they are reflected in the Code of Conduct.

The Code of Conduct emphasises and summarises existing Trelleborg Group policies and directives and should be applied as a support tool laying down the basic rules and principles on which day-to-day work is based. It covers key areas of compliance, resources, diversity and social engagement. The annual financial statements of Trelleborg AB also contain further information on the impact of Trelleborg's operations on the community and environment.

It is the duty of Trelleborg managers to include Code of Conduct in employee training. Every new employee should be given the opportunity to read and discuss the Code. Trelleborg regularly conducts training, in e-learning format as well as in classic classroom format, and provides information to support the Code of Conduct.

Trelleborg applies an approach involving decentralized responsibility to drive and implement the Group's strategy. The Group's operating activities are pursued through independent operational units with responsibility for profit, balance sheet and cash flows. Local managers and their co-workers make the commercial decisions, ensure that these are handled correctly and with a balanced approach to risk-taking. As a means of support, individual Business Area management regularly follows up the results of their Business Units' operations, similar to the manner in which Group management follows up with the Business Areas as part of a well-established work process.

As part of their induction directors are provided with information on their duties. It is expected that the directors recognise that in a large Group such as Trelleborg the directors fulfil their duties partly through a governance framework that delegates day to day decision making to them and the employees of the Company through a formalised delegation of authority.

All Trelleborg employees are invited to participate in an annual employee engagement survey, the results of which are reviewed by the directors together with the subsequent actions the Company take to reinforce the Company's values and ensure there is the right culture to meet the strategic needs of the business.

The Company is a wholly owned subsidiary of the ultimate parent company Trelleborg AB (Publ). As such engagement with members is driven by the wider corporate structure.

Further details on Trelleborg Group's Corporate Governance, Core Values, Code of Conduct and annual consolidated financial statements can be found at www.Trelleborg.com

General

Approved by the board of directors and signed on its behalf by:

Neil Davies
Director



17 September 2020

Trelleborg Sealing Solutions UK Limited

Directors' report

for the year ended 31 December 2019

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

Future developments

An indication of future developments of the business is included in the Strategic Report on page 1.

Dividends

The directors recommend a payment of a final dividend of £10.0m (£0.995 per ordinary share) subject to shareholder approval at the AGM. A final dividend for 2018 of £14.0m (£1.393 per ordinary share) was approved and paid on 24 May 2019. Further details of the dividends paid are included in note 10 to the financial statements.

Financial risk management

Financial risk management is described in the Strategic Report on pages 1 to 4.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

R Broadley	Resigned 14 June 2019
D Brown	Resigned 31 March 2020
D Savary	
K Brok	Resigned 1 August 2019
K Bergenholtz	
N Davies	Appointed 14 June 2019
G Micallef	Appointed 5 September 2019
S Douglass	Appointed 31 March 2020

Directors' indemnities

The Company maintained throughout the year, and at the date of approval of the financial statements, liability insurance for its directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006.

Research and development

The Company is currently undertaking research and development into sealing solutions for its customers within the Automotive, Aerospace and Industrial markets. Expenditure of £590,000 was incurred within the year (2018: £442,000) and the expectation is that this will be at a similar level in future years.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Company maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensures that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

Trelleborg Sealing Solutions UK Limited

Directors' report (continued) for the year ended 31 December 2019

Going concern

The Company is principally funded by its bank accounts within a group cash pool facility operated by a fellow subsidiary. These balances attract interest based on either UK or Swedish base rate and are included within amounts owed by group undertakings falling due within one year. The balances are repayable on demand and are unsecured. Access to the bank accounts relies on the continuing liquidity of the Trelleborg AB Group. The directors use information published by the Group Board and released publicly, together with internal knowledge about the performance and market conditions for the Group in assessing the liquidity. The directors continue to consider that the group cash pool facility will remain available for the Company for the foreseeable future.

Forecasting has been prepared on a rolling 12 month basis and takes into account the expected impact of Covid-19 on market conditions in each of our segments. This is based on the experience of the second quarter of 2020 onwards, customer forecasting and experience of global shocks from the financial collapse in 2008. The modelling and assumptions continue to forecast a profitable and cash generating position under these conditions. Sensitivity analysis has been performed on the forecasting to show the point at which the Company would breakeven. The key assumption is sales volumes and profitability has been modelled for a scenario where sales reduce by a further 10%, 20% and 30% over and above the decline already built into the forecast. It is the view of the directors that, even in these uncertain times, sales volumes will not likely decline to such a degree that the company is no longer profitable or cash generating. If the sales were to fall to such an extent that there started to be an outflow of cash, the company has access to the cash held of £31.2m held in the group cash pooling facility at 31 July 2020.

After reviewing the Company's forecasts and projections, the net asset position and the consideration of the availability of the cash pooling as described in note 15 and the possible consequences of Covid-19 as described in the Strategic Report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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;
- state whether applicable United Kingdom 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.

Trelleborg Sealing Solutions UK Limited

**Directors' report (continued)
for the year ended 31 December 2019**

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.

Statement of disclosure of information to the auditor

In the case of each of the persons who are directors at the time when this report is approved under section 418 of the Companies Act 2006 the following applies:

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

Independent auditor

A resolution to reappoint Deloitte LLP as auditor will be proposed at the Annual General Meeting.

Approved by the board of directors and signed on its behalf by:



Neil Davies
Director

17 September 2020

Registered number: 00446036

Trelleborg
International Drive
Tewkesbury
Gloucestershire
GL20 8UQ

Independent auditor's report to the member of Trelleborg Sealing Solutions UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Trelleborg Sealing Solutions UK Limited (the 'Company'):

- give a true and fair view of the state 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 including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the balance sheet; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the member of Trelleborg Sealing Solutions UK Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

**Independent auditor's report to the member of Trelleborg Sealing Solutions UK Limited
(continued)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's member 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 member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.



Andrew Woodhead (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

17 September 2020

Trelleborg Sealing Solutions UK Limited**Statement of income and retained earnings
for the year ended 31 December 2019**

	Note	2019 £000	2018 £000
Turnover	5	110,897	100,407
Cost of sales		(73,272)	(65,789)
Gross profit		37,625	34,618
Distribution costs		(5,565)	(4,284)
Administrative expenses		(19,563)	(15,523)
Other operating income		3,012	3,369
Operating profit before interest and taxation	6	15,509	18,180
Interest receivable and similar income	8	834	99
Interest payable and similar expenses	8	(6)	(533)
Net interest income/(expense)		828	(434)
Profit before taxation		16,337	17,746
Tax on profit	9	(3,194)	(3,528)
Profit for the financial year attributable to the equity shareholder of the Company		13,143	14,218
Profit and loss account at 1 January		28,464	24,246
Dividends paid	10	(14,000)	(10,000)
Retained earnings at 31 December		27,607	28,464

All the above operations arise from continuing activities.

There are no recognised gains and losses for the financial years other than those included above. Accordingly, no separate statement of comprehensive income or statement of changes in equity is presented.

The notes on pages 13 to 33 are an integral part of these financial statements.

Trelleborg Sealing Solutions UK Limited

Balance sheet at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	11		15		357
Tangible assets	12		14,999		13,779
Investment property	13		3,300		1,850
			18,314		15,986
Current assets					
Stocks	14	5,760		4,766	
Debtors	15	36,792		42,118	
Cash at bank and in hand		-		-	
		42,552		46,884	
Creditors: amounts falling due within one year	16	(22,200)		(23,775)	
Net current assets			20,352		23,109
Total assets less current liabilities			38,666		39,095
Provisions for liabilities	17		(1,009)		(581)
Net assets			37,657		38,514
Capital and reserves					
Called up share capital	20		10,050		10,050
Retained earnings	20		27,607		28,464
Shareholder's funds			37,657		38,514

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements on pages 11 to 33 were authorised for issue by the board of directors on 17 September 2020 and were signed on its behalf by:



Neil Davies
Director

Registered no. 00446036

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements

for the year ended 31 December 2019

1 General Information

Trelleborg Sealing Solutions UK Limited ("the Company") manufactures and sells high performance fluid seals and precision polymer mouldings for the Automotive, Aerospace and Industrial markets.

The Company is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of its registered office is Trelleborg, International Drive, Tewkesbury, Gloucestershire, GL20 8UQ.

2 Statement of compliance

The financial statements of Trelleborg Sealing Solutions UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") issued by the Financial Reporting Council and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements 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 4.

Going concern

The Company is principally funded by its bank accounts within a group cash pool facility operated by a fellow subsidiary. These balances attract interest based on either UK or Swedish base rate and are included within amounts owed by group undertakings falling due within one year. The balances are repayable on demand and are unsecured. Access to the bank accounts relies on the continuing liquidity of the Trelleborg AB Group. The directors use information published by the Group Board and released publicly, together with internal knowledge about the performance and market conditions for the Group in assessing the liquidity. The directors continue to consider that the group cash pool facility will remain available for the Company for the foreseeable future.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Forecasting has been prepared on a rolling 12 month basis and takes into account the expected impact of Covid-19 on market conditions in each of our segments. This is based on the experience of the second quarter of 2020 onwards, customer forecasting and experience of global shocks from the financial collapse in 2008. The modelling and assumptions continue to forecast a profitable and cash generating position under these conditions. Sensitivity analysis has been performed on the forecasting to show the point at which the Company would breakeven. The key assumption is sales volumes and profitability has been modelled for a scenario where sales reduce by a further 10%, 20% and 30% over and above the decline already built into the forecast. It is the view of the directors that, even in these uncertain times, sales volumes will not likely decline to such a degree that the company is no longer profitable or cash generating. If the sales were to fall to such an extent that there started to be an outflow of cash, the company has access to the cash held of £31.2m held in the group cash pooling facility at 31 July 2020.

After reviewing the Company's forecasts and projections, the net asset position and the consideration of the availability of the cash pooling as described in note 15 and the possible consequences of Covid-19 as described in the Strategic Report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. The Company has taken advantage of the following exemptions on the basis that the information is included in the consolidated financial statements of the Company's ultimate parent undertaking, Trelleborg AB (publ), a company registered in Sweden in which the Company is consolidated:

- from preparing a statement of cash flows;
- from the financial instrument disclosures, required under FRS102 paragraphs 11.40 to 11.48A; and
- from disclosing the Company key management personnel compensation, as required by FRS102 paragraph 33.7.

The consolidated financial statements of Trelleborg AB (publ) can be obtained from the address given in note 24.

Foreign currency

Functional and presentation currency

The Company's functional currency is pound sterling which is presented in the financial statements rounded to thousands.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income and retained earnings within net interest expense. All other foreign exchange gains and losses are presented in the statement of income and retained earnings.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for goods and services sold, net of discounts, exchange rate differences, where sales are conducted in foreign currencies and value added taxes.

Sale of goods

Revenue is recognised when the Company has fulfilled its obligations under the terms of sale and title of the goods has been transferred to the buyer.

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The Company operates a defined contribution pension plan for its employees. The contributions to the plan are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in separately administered funds.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period-end.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities of other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period-end and that are expected to apply to the reversal of the timing difference.

Goodwill

Goodwill arises on business combinations and represents the excess of the fair value of directly attributable costs of the purchase consideration over the fair values of the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Company is unable to make a reliable estimate of useful life the Company has adopted the provisions of the Amendments to FRS 102 – The Financial Reporting Standard Applicable in the UK and Republic of Ireland – Small entities and other amendments, and hence goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the statement of income and retained earnings within administrative expenses. Reversals of impairment are recognised when the reasons for the impairment no longer apply. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software 3 years

Amortisation is charged to administrative expenses in the statement of income and retained earnings.

The assets are reviewed for impairment if factors indicate that the carrying amount may be impaired.

Research and development costs

Research and development costs are recognised as an expense as incurred.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Tangible assets

Tangible assets, except for investment properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bring the asset to its working condition for its intended use.

Depreciation is calculated using the straight-line method to allocate cost to the assets' residual values over their estimated useful lives, as follows:

• Freehold buildings	2-10%
• Leasehold property	10-15%
• Plant and machinery	6-33%
• Assets in course of construction	Nil

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Investment properties

Investment properties whose fair value can be measured reliably are stated at fair value. Changes in fair value at each reporting date are recognised in profit or loss.

Leased assets

Operating leases

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of income and retained earnings on a straight-line basis over the period of the lease.

Impairment of assets

Assets, other than those measured as fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the assets has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the first-in-first-out method. For finished products and work in progress, cost consists of raw materials, direct personnel costs, other direct costs and related indirect production costs. Normal capacity utilisation is used in the measurement of stocks. Provision is made for obsolete, slow-moving or defective items where appropriate.

Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation resulting from past events and it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. No provisions are made for future operating losses.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Financial instruments

The Company has adopted Sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies 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. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Distributions to equity holder

Dividends to the Company's shareholder are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholder. These amounts are recognised in the statement of income and retained earnings.

Related party transactions

The Company discloses transactions with related parties which are not wholly-owned within the same group. It has taken advantage of the exemption in FRS102 paragraph 33.1A and does not disclose transactions with members of the same group that are wholly-owned.

4 Critical accounting judgements and key sources of estimation uncertainty

Company management and the board of directors make critical estimates and assumptions about the future. These estimates and assumptions significantly impact the amounts reported for assets and liabilities as well as revenues and expenses and other disclosures. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. Estimates and assumptions that may have a significant effect on the Company's earnings and financial position are as follows:

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The investment property has been valued on the balance sheet at the offer received from a third party buyer. Although the offer has not been accepted, it does give a strong indication of the fair value of the property. No other significant estimates have been made in applying the accounting policies which would have a material effect on the financial statements.

Significant accounting judgements in applying the accounting policies

No significant judgements have been made in applying the accounting policies which would have a material effect on the financial statements.

5 Turnover

Analysis of turnover by geography:

	2019 £000	2018 £000
Europe	51,612	46,575
North America	6,460	3,802
China	1,778	2,533
Hong Kong	901	794
India	487	630
Japan	642	570
South Korea	4,110	4,889
Philippines	-	848
South Africa	306	469
Singapore	2,567	102
Rest of world	340	627
Total exports	69,203	61,839
United Kingdom	41,694	38,568
	110,897	100,407

All turnover (2018: all turnover) is generated from the sale of goods.

Intra-group sales of £60,269,000 (2018: £53,830,000) relate to transactions with related parties within the Trelleborg AB (publ) group.

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements (continued)
for the year ended 31 December 2019****6 Operating profit**

Operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Profit on disposal of tangible assets	(10)	-
Management recharges	(1,308)	(3,169)
Depreciation	2,017	2,299
Amortisation	341	343
Reversal of impairment of stock included in cost of sales	(36)	(44)
Operating lease charges	1,600	1,197
Foreign exchange losses/(gains)	357	(135)
Research and development expenditure	590	442
Audit fees payable to the Company's auditor – auditing of the financial statements	84	96
Gain on fair value of investment property	(1,450)	-

Management recharges represent the reimbursement of the Company for costs it incurs on behalf of other Trelleborg AB (publ) group companies.

**7 Employees and employee benefits
(a) Employees**

	2019 £000	2018 £000
Wages and salaries	28,828	26,305
Social security costs	2,329	2,193
Other pension costs	1,148	1,102
Staff costs	32,305	29,600

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements (continued)
for the year ended 31 December 2019****7 Employees and employee benefits (continued)**

The average monthly number of persons (including executive directors) employed by the Company during the year was:

By activity	2019 No.	2018 No.
Manufacturing	564	529
Sales	83	71
Technical	63	53
Finance, administration and management	84	79
	794	732

(b) Directors

The directors' emoluments were as follows:

	2019 £000	2018 £000
Aggregate emoluments	570	903
Company contributions to money purchase pension schemes	25	39
	595	942

Post-employment benefits are accruing to 2 directors (2018: 2) under money purchase pension schemes.

No director exercised any share options during the year, nor were any shares received or receivable by the directors in respect of qualifying services under a long-term incentive scheme.

The highest paid director's emoluments were as follows:

	2019 £000	2018 £000
Emoluments	228	503
Contributions to money purchase pension schemes	-	-
	228	503

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

8 Net interest income/(expense)

Interest receivable and similar income	2019 £000	2018 £000
Interest receivable from group undertakings	143	99
Gains on derivative financial instruments (note 19)	691	-
Total interest receivable and similar income	834	99
Interest payable and similar expenses	2019 £000	2018 £000
Interest payable to group undertakings	(6)	(4)
Losses on derivative financial instruments (note 19)	-	(529)
Total interest payable and similar charges	(6)	(533)
Net interest income/(expense)	828	(434)

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

9 Tax on profit

(a) Tax expense included in profit or loss

	2019 £000	2018 £000
Current tax:		
UK Corporation tax on profits for the year	2,744	3,427
Adjustments in respect of prior periods	68	8
Total current tax	2,812	3,435
Deferred tax (note 18):		
Origination and reversal of timing differences	463	46
Adjustment in respect of prior periods	(59)	41
Impact of change in tax rate	(22)	6
Total deferred tax charge	(382)	93
Tax on profit	3,194	3,528

(b) Reconciliation of tax charge

Tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on before tax	16,337	17,746
Profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	3,104	3,372
Expenses not deductible for tax purposes	125	101
Adjustments to tax charge in respect of prior periods	(13)	49
Re-measurement of deferred tax – change in UK tax rate	(22)	6
Tax charge for the year	3,194	3,528

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

9 Tax on profit (continued)

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Further changes to the UK corporation tax system were announced in the Budget on 11 March 2020. These include a reversal of the reduction in the main rate of corporation tax disclosed above and it is now expected to remain at 19% from 1 April 2020. This change had not been substantively enacted at the balance sheet date and therefore its effect is not included in these financial statements. The overall effect of the main rate of corporation tax remaining at 19% is not expected to be material to the balance sheet.

10 Dividends

	2019 £000	2018 £000
Dividends paid or accrued in the year	14,000	10,000

The directors recommend a payment of a final dividend of £10.0m (£0.995 per ordinary share) subject to shareholder approval at the AGM. A final dividend for the year ended 31 December 2018 was proposed and paid from reserves on 27 June 2019 in the sum of £14,000,000 (£1.393 per share). The dividend was not accounted for within the prior year financial statements but was approved through a written resolution in 2019.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

11 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2019	34,105	646	34,751
Disposals	-	(5)	(5)
At 31 December 2019	34,105	641	34,746
Accumulated amortisation and impairment			
At 1 January 2019	(33,771)	(623)	(34,394)
Amortisation	(328)	(13)	(341)
Disposals	-	4	4
At 31 December 2019	(34,099)	(632)	(34,731)
Net book amount at 31 December 2019	6	9	15
Net book amount at 31 December 2018	334	23	357

Amortisation of intangible assets is recognised within administrative expenses in the Statement of income and retained earnings.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

12 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold land and buildings £000	Plant and machinery £000	Assets in course of construction £000	Total £000
Cost					
At 1 January 2019	3,216	2,846	27,163	1,826	35,051
Additions	-	-	624	2,613	3,237
Transfers	-	-	1,836	(1,836)	-
Disposals	-	-	(1,172)	-	(1,172)
At 31 December 2019	3,216	2,846	28,451	2,603	37,116
Accumulated depreciation and impairment					
At 1 January 2019	(1,356)	(1,722)	(18,194)	-	(21,272)
Depreciation	(56)	(111)	(1,850)	-	(2,017)
Disposals	-	-	1,172	-	1,172
At 31 December 2019	(1,412)	(1,833)	(18,872)	-	(22,117)
Net book amount at 31 December 2019	1,804	1,013	9,579	2,603	14,999
Net book amount at 31 December 2018	1,860	1,124	8,969	1,826	13,779

Fixed assets are included at full historical cost to the Company.

Included in freehold land and buildings is freehold land of £332,000 (2018: £332,000) which is not depreciated.

There is no restricted title on any property, plant & equipment included in these Financial Statements and no items have been pledged as liability for securities.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

13 Investment property

	2019 £000	2018 £000
Value		
At 1 January	1,850	1,850
Net gain from fair value adjustments	1,450	-
At 31 December	3,300	1,850

The freehold investment property was valued on 12 September 2016 by Brackenridge Hanson Tate (FRICS), an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued. The valuation of £1,850,000 was performed on the basis of open market value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

The property is currently being marketed for sale. Offers were received within 2019 at a net value of £3.3m from a third party. Management therefore believe the 2019 valuation should be in line with the value of offers received on an arm's length basis. The critical assumption is that the sale of the property would proceed to completion at that offer price.

The historical cost of investment properties held at fair value is £600,000 (2018: £600,000).

Lessor

The Company leases its investment property to a fellow subsidiary of the Trelleborg AB (publ) group. There is no formal lease in place between the two companies. As such, there is no minimum lease term. The Company receives a rental income of £19,000 (2018: £19,000) per year.

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements (continued)
for the year ended 31 December 2019****14 Stocks**

	2019 £000	2018 £000
Raw materials	3,782	3,201
Work in progress	947	805
Finished goods and goods for resale	1,031	760
	5,760	4,766

There was no significant difference between the replacement cost of inventories and their carrying amounts.

Inventories are stated after provisions for impairment of £821,000 (2018: £857,000) in relation to slow-moving or obsolete items.

15 Debtors

	2019 £000	2018 £000
Trade debtors	8,833	10,226
Amounts owed by group undertakings	27,086	30,853
Deferred tax asset (note 18)	-	320
Prepayments and accrued income	873	719
	36,792	42,118

The Company operates its bank accounts within a group cash pool facility operated by a fellow subsidiary. These balances attract interest based on either UK or Swedish base rate and are included within amounts owed by group undertakings falling due within one year. The balances are repayable on demand and are unsecured. Apart from intercompany cash pool, no other balances attract interest.

Amounts owed by group undertakings also includes unsecured trade balances of £5,098,000 (2018: £5,164,000).

Trade debtors are stated after provisions for impairment of £nil (2018: £nil).

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

16 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	6,465	5,625
Amounts owed to group undertakings	3,174	3,243
Corporation tax	4,183	5,033
Group relief payable	2,057	1,406
Other taxation and social security	798	866
Derivative financial instruments (note 19)	-	691
Accruals and deferred income	5,523	6,911
	22,200	23,775

The Company operates its bank accounts within a group cash pool facility operated by a fellow subsidiary. These balances attract interest based on UK Base rate and are included within amounts owed to group undertakings falling due within one year.

Amounts owed to group undertakings also includes trade balances and are repayable on demand. No security has been given in relation to any creditors.

17 Provisions for liabilities

	Dilapidation £000	Deferred tax (note 18) £000	Total £000
At 1 January 2019	581	-	581
Additions	366	62	428
At 31 December 2019	947	62	1,009

A provision of £177,000 (2018: £171,000) has been recognised for the estimated cost of dismantling and removing various assets related to a leased property and restoring the site to the condition required in accordance with the lease terms. The provision has been estimated using existing experience, current prices, and discounted using a discount rate of 10%. The provision is expected to be utilised in 2029.

A provision of £770,000 (2018: £410,000) has been recognised for anticipated dilapidation costs at two further sites on cessation of their lease. The provision is expected to be utilised between 2021 and 2026.

The impact of discounting of any of these provisions is not considered material.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

18 Deferred tax

Deferred tax consists of the following deferred tax liabilities:

	2019 £000	2018 £000
Accelerated capital allowances	(326)	(63)
Derivative financial assets	-	131
Other timing differences	264	252
Total deferred tax (liability)asset	(62)	413

The net deferred tax asset expected to reverse in 2019 is £112,000. This is primarily due to the reversal of timing differences on tangible fixed assets and derivative financial instruments. The timing differences have no expiry dates.

The Company has £64,000 of unused capital losses to be carried forward which have no expiry date. An asset has not been recognised in respect of these losses due to uncertainty over recoverability.

19 Derivative financial instruments

The Company has forward foreign exchange contracts included at fair value in the financial statements as follows:

	2019 £000	2018 £000
At 1 January	(691)	(162)
Changes in value dealt with in the statement of income and retained earnings	691	(529)
At 31 December	-	(691)

At 31 December 2019 the Company had commitments to sell £nil (2018: £1,941,000) and buy £nil (2018: £18,076,000) under forward foreign exchange contracts.

The forward foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise the observable inputs: contractual rates for GBP:USD and GBP:EUR; spot exchange rates at each year-end; and, the value of currency to be swapped. All outstanding contracts mature within 12 months of the year-end.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2019**

20 Called up share capital and reserves
(a) Called up share capital

	No.	£000
Allotted and fully paid ordinary shares of £1 each		
At 1 January 2019 and at 31 December 2019	10,050,000	10,050

There is a single class of ordinary shares, which carry no right to fixed income. There are no restrictions on the distribution of dividends and the repayment of capital.

There were no changes to share capital during the year.

(b) Reserves

Retained earnings – This represents cumulative profits or losses net of dividends paid and other adjustments.

21 Contingent liabilities

The Company has contingent liabilities, in respect of bank and other guarantees and other matters arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise. The maximum amount guaranteed at 31 December 2019 was £70,000 (2018: £70,000).

22 Capital and other commitments

At 31 December 2019 and 2018 the Company had the following capital commitments:

Contracts for future capital expenditure not provided in the financial statements:

	2019 £000	2018 £000
Contracts for future capital expenditure not provided in the financial statements – property, plant and equipment	516	510

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

22 Capital and other commitments (continued)

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £000	2018 £000
Payments due:		
Not later than one year	1,164	1,096
Later than one year and not later than five years	2,782	3,117
Later than five years	8,066	5,795
	12,012	10,008

23 Related party transactions

The Company has taken advantage of the exemption contained within FRS102 and not disclosed transactions or balances with companies that are fellow wholly-owned subsidiaries of Trelleborg AB (publ).

24 Controlling parties

The immediate parent undertaking is Trelleborg Holdings UK Limited.

The ultimate parent undertaking, controlling party and smallest and largest group to consolidate these financial statements is Trelleborg AB (publ), a company incorporated in Sweden. The registered office of Trelleborg AB (publ) is PO Box 153, S-231 22, Trelleborg, Sweden and copies of the consolidated financial statements can be obtained from this address.