



Trelleborg Sealing Solutions UK Limited
Annual report and financial statements
for the year ended 31 December 2017

Registered number: 00446036

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Trelleborg Sealing Solutions UK Limited

Annual report and financial statements for the year ended 31 December 2017

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Trelleborg Sealing Solutions UK Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report on the Company for the year ended 31 December 2017.

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 2017 was £89.8m (2016: £84.2m) and the profit for the financial year was £12.0m (2016: £10.3m). 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. 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 adverse realised currency losses of £1.8m (2016: losses of £3.9m). The movement in the fair value of derivative financial instruments resulted in net income of £1.8m (2016: expense of £1.2m). The operating business, once again, made efficiency savings to maintain a strong 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.

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.

The directors have taken actions to identify and optimise opportunities to increase business and remain confident that the Company will strengthen its position in 2018.

Non-financial risks

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.

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 Pound Sterling. Significant transactions in foreign currencies are managed by placing foreign exchange contracts with a fellow group company, Trelleborg Treasury AB.

All of the Company's funding is provided via a cash pool facility from Trelleborg Treasury AB. Interest rate risk includes exposure to changes in the UK Base Rate 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 receive

Trelleborg Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2017

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).

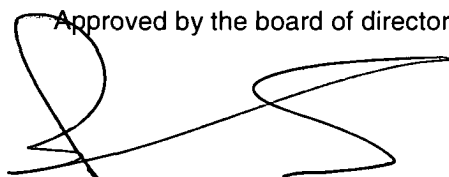
Key performance indicators ("KPIs")

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:

	2017	2016	Definition, method of calculation and analysis
Growth in turnover (%)	6.7%	2.9%	Year on year turnover growth expressed as a percentage. The year on year increase is a result of favourable currency fluctuations and management actions taken to take advantage of growth opportunities in an uncertain domestic and international market.
Return on turnover (%)	16.8%	15.5%	Return on turnover is the ratio of profit on ordinary activities before taxation to turnover expressed as a percentage. Return on turnover has improved due to the favourable movement in fair value of derivative financial instruments.
Working capital turns	13.8	12.6	Working capital turns is the ratio of turnover to inventory plus trade debtors less trade creditors. The reason for the change is a result of specific programmes initiated by management to target working capital improvements.

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



Robert Broadley
Director

24 August 2018

Trelleborg Sealing Solutions UK Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Future developments

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

Dividends

The directors recommended and approved a final dividend of £10.0m (£1.00 per ordinary share) (2016: £10.0m (£1.00 per ordinary share)) and this was paid on 24th May 2018. 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 page 1.

Directors

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

R Broadley
D Brown
D Savary
K Brok
K Bergenholtz

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 £340,000 was incurred within the year (2016: £167,000) 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 the 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 employee on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation

Trelleborg Sealing Solutions UK Limited

Directors' report (continued) for the year ended 31 December 2017

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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

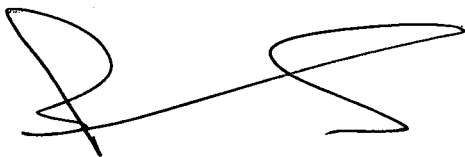
In the case of each of the persons who are directors at the time when this report is approved under section 418 of the Companies Act 2006 the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director 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 auditors

PricewaterhouseCoopers LLP resigned as auditors during the year and Deloitte LLP were appointed. A resolution to reappoint Deloitte LLP as auditors will be proposed at the Annual General Meeting.

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



Robert Broadley
Director

24 August 2018

Registered number: 00446036

Trelleborg
International Drive
Tewkesbury
Gloucestershire
GL20 8UQ

Independent auditor report to the members of Trelleborg Sealing Solutions UK Limited for the year ended 31 December 2017

Report on the audit of the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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 of Trelleborg Sealing Solutions UK Limited (the 'Company') 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 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 report to the members of Trelleborg Sealing Solutions UK Limited for the year ended 31 December 2017

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor report to the members of Trelleborg Sealing Solutions UK Limited for the year ended 31 December 2017

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.



Sonya Butters (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditors
Bristol, United Kingdom

24 August 2018

Trelleborg Sealing Solutions UK Limited

**Statement of income and retained earnings
for the year ended 31 December 2017**

	Note	2017 £000	2016 £000
Turnover	5	89,827	84,208
Cost of sales		(56,424)	(51,361)
Gross profit		33,403	32,847
Selling and distribution costs		(3,917)	(4,006)
Administrative expenses		(21,275)	(19,226)
Other operating income		4,994	4,584
Profit before interest and taxation	6	13,205	14,199
Interest receivable and similar income	8	1,862	31
Interest payable and similar charges	8	(4)	(1,194)
Net interest income/(expense)	8	1,858	(1,163)
Profit before taxation		15,063	13,036
Tax on profit	9	(3,066)	(2,740)
Profit for the financial year		11,997	10,296
Retained earnings at 1 January		12,249	11,953
Dividends paid	10	-	(10,000)
Retained earnings at 31 December		24,246	12,249

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

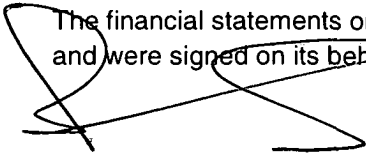
Trelleborg Sealing Solutions UK Limited

Balance sheet at 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	11		695		1,054
Tangible assets	12		13,770		13,386
Investment property	13		1,850		1,850
			16,315		16,290
Current assets					
Inventories	14	4,175		4,388	
Debtors	15	38,133		34,887	
Cash at bank and in hand		2		3	
		42,310		39,278	
Creditors: amounts falling due within one year	16	(23,964)		(32,915)	
Net current assets			18,346		6,363
Total assets less current liabilities			34,686		22,653
Provision for other liabilities	17		(365)		(354)
Net assets			34,296		22,299
Capital and reserves					
Called up share capital	20		10,050		10,050
Retained earnings			24,246		12,249
Total equity			34,296		22,299

The notes on pages 10 to 29 are an integral part of these financial statements.

The financial statements on pages 8 to 29 were approved by the board of directors on 24 August 2018 and were signed on its behalf by:


Robert Broadley
Director

Registered no. 00446036

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements for the year ended 31 December 2017

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 England. 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") 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.

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

After reviewing the Company's forecasts and projections, 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:

- from preparing a statement of cash flows;
- from the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and the paragraphs 12.26 to 12.29; 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.

3 Summary of significant accounting policies (continued)

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.

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 within 'Other operating gains'.

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, value added taxes and after the elimination of intra-entity sales.

Sale of goods

Revenue from the sale of goods is recognised during the period in which the Company has fulfilled its obligations under the terms of sale and title has transferred to the buyer. This may be either when the product is delivered or when despatched.

Interest income

Interest income is recognised using the effective interest rate method.

3 Summary of significant accounting policies (continued)

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 profit and loss account, 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.

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 expenses 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 or 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, 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 income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

3 Summary of significant accounting policies (continued)

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.

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 the 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 - lessee

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight line basis over the period of the lease.

3 Summary of significant accounting policies (continued)

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS102 (1 January 2015) and continues to credit such lease incentives to the profit and loss account over the period to first review date on which the rent is adjusted to market rates.

Operating leases – lessor

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. An asset is held on the balance sheet and payments received under operating leases are credited to the statement of income and retained earnings on a straight line basis over the period of the lease.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of income and retained earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Inventories

Inventories are stated at the lower of cost, using the first in first out method, and net realisable value. 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 inventories.

Provisions and contingencies

Provisions are recognised when the Company has a legal or constructive obligation resulting from past events and it is probable that payment will be required to meet the obligation, and that the amount can be calculated in a reliable manner. No provisions are made for future operating losses.

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 liabilities

Basic financial liabilities, including trade and other payables, 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.

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

3 Summary of significant accounting policies (continued)

subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit or loss in finance costs or income as appropriate.

Distributions to equity holders

Dividends to the Company's shareholders 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 shareholders. 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 with 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 estimation uncertainty

Company management and the board of directors make estimates and assumptions about the future. These estimates and assumptions 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:

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.

Key sources of estimation uncertainty

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

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements for the year ended 31 December 2017

5 Turnover

Analysis of turnover by geography:

	2017	2016
	£000	£000
Europe	42,404	32,982
North America	2,744	2,716
China	1,958	1,833
Hong Kong	427	535
India	759	860
Japan	550	458
South Korea	4,499	4,305
Philippines	840	917
South Africa	474	282
Rest of world	1,126	1,217
Total exports	55,781	46,105
United Kingdom	34,046	38,103
	89,827	84,208

All turnover (2016: all turnover) is generated from the sale of goods.

Intra-group sales of £47,566,000 (2016: £42,572,000) relate to transactions with related parties within the Trelleborg AB (publ) group.

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements
for the year ended 31 December 2017****6 Operating profit**

Operating profit is stated after charging/(crediting):

	2017 £000	2016 £000
Loss on disposal of tangible assets	35	18
(Reversal of impairment)/ Impairment of trade receivables	(47)	28
Management recharges	(4,897)	(4,426)
Inventory recognised as an expense	19,076	16,301
Impairment of inventory included in cost of sales	340	120
Operating lease charges	1,432	1,041
Foreign exchange losses	1,806	3,898
Research and development expenditure	340	167
Audit fees payable to the Company's auditors – audit services	71	87
Depreciation and amortisation	2,477	2,344

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

Notes to the financial statements
for the year ended 31 December 2017

7 Employees and employee benefits
(a) Employees

	2017 £000	2016 £000
Wages and salaries	24,327	21,914
Social security costs	1,965	1,842
Other pension costs	1,017	1,065
Staff costs	27,309	24,821

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

By activity	2017 No.	2016 No.
Manufacturing	486	451
Sales	68	71
Technical	46	31
Finance, administration and management	71	74
	671	627

(b) Directors

The directors' emoluments were as follows:

	2017 £000	2016 £000
Aggregate emoluments	732	471
Company contributions to money purchase pension schemes	37	17
	769	488

Post-employment benefits are accruing to 2 directors (2016: 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.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements
for the year ended 31 December 2017**

7 Employees and employee benefits (continued)

The highest paid director's emoluments were as follows:

	2017 £000	2016 £000
Emoluments	443	239
Contributions to money purchase pension schemes	-	-
	443	239

8 Net interest expense

Interest receivable and similar income	2017 £000	2016 £000
Interest receivable from group undertakings	28	31
Gains on derivative financial instruments	1,834	-
Total interest receivable and similar income	1,862	31

Interest payable and similar charges	2016 £000	2016 £000
Interest payable to group undertakings	(4)	(4)
Losses on derivative financial instruments	-	(1,190)
Total interest payable and similar income	(4)	(1,194)

Net interest income/(expense)	1,858	(1,163)
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Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements
for the year ended 31 December 2017**

9 Income tax

(a) Tax expense included in profit or loss

	2017 £000	2016 £000
Current tax:		
UK Corporation tax on profits for the year	3,003	2,885
Adjustments in respect of prior periods	25	(2)
Total current tax	3,028	2,883
Deferred tax:		
Origination and reversal of timing differences	10	(159)
Adjustment in respect of prior periods	18	1
Impact of change in tax rate	10	15
Total deferred tax charge/(credit)	38	(143)
Tax on profit	3,066	2,740

(b) Reconciliation of tax charge

Tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before tax	15,063	13,036
Profit multiplied by the standard rate of tax in the UK of 19.25% (2016: 20%)	2,900	2,607
Expenses not deductible for tax purposes	113	119
Re-measurement of deferred tax - change in UK tax rate	10	15
Adjustments to tax charge in respect of prior years	43	(1)
Total tax charge for the year	3,066	2,740

9 Income tax (continued)
(c) Tax rate changes

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

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.

10 Dividends paid

	2017 £000	2016 £000
Final dividend accrued of £nil (2016: £1.00) per share	-	10,000
Dividends paid or accrued in the year	-	10,000

A final dividend for the year ended 31 December 2017 was proposed and paid from reserves on 24th May 2018 in the sum of £10,000,000 (2016: £10,000,000). The dividend has not been accounted for within the current year financial statements but was approved through a written resolution in 2018.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements
for the year ended 31 December 2017**

11 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2017	34,105	657	34,762
Additions	-	98	98
Disposals	-	(114)	(114)
At 31 December 2017	34,105	641	34,746
Accumulated amortisation and impairment			
At 1 January 2017	(33,115)	(593)	(33,708)
Amortisation	(328)	(25)	(353)
Disposals	-	10	10
At 31 December 2017	(33,443)	(608)	(34,051)
Net book amount at 31 December 2017	662	33	695
Net book amount at 31 December 2016	990	64	1,054

Amortisation is included in administrative expenses in the Statement of income and retained earnings.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements
for the year ended 31 December 2017**

12 Tangible 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 2017	3,216	2,570	23,602	1,611	30,999
Additions	-	-	1,263	1,280	2,543
Transfers	-	-	948	(948)	-
Disposals	-	-	(505)	-	(505)
At 31 December 2017	3,216	2,570	25,308	1,943	33,037
Accumulated depreciation and impairment					
At 1 January 2017	(1,260)	(1,552)	(14,801)	-	(17,613)
Depreciation	(54)	(196)	(1,874)	-	(2,124)
Disposals	-	-	470	-	470
At 31 December 2017	(1,314)	(1,748)	(16,205)	-	(19,267)
Net book amount at 31 December 2017	1,902	822	9,103	1,943	13,770
Net book amount at 31 December 2016	1,956	1,018	8,801	1,611	13,386

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

Included in freehold land and buildings is freehold land of £332,000 (2016: £332,000) which is not depreciated.

13 Investment property

	2017 £000	2016 £000
Value		
At 1 January	1,850	1,850
At 31 December	1,850	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 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. Unconditional offers have been received within the year, ranging from £1.5m to £2.1m. Management therefore believe the 2016 valuation remains a reasonable assessment of the fair value of the property at 31 December 2017.

The critical assumptions made relating to the valuation are as set out below:

- the property is held on an unencumbered freehold basis;
- no harmful or hazardous material has been used in the construction; and,
- the premises comply with statutory regulations and requirements.

The historical cost of investment properties held at fair value is £600,000 (2016: £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 (2016: £19,000) per year.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements for the year ended 31 December 2017

14 Inventories

	2017 £000	2016 £000
Raw materials	2,755	2,877
Work in progress	681	760
Finished goods and goods for resale	739	751
	4,175	4,388

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

Inventories are stated after provisions for impairment of £901,000 (2016: £561,000).

15 Debtors

	2017 £000	2016 £000
Trade debtors	8,237	7,403
Amounts owed by group undertakings	28,910	26,442
Deferred tax asset (note 18)	413	451
Prepayments and accrued income	573	591
	38,133	34,887

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 by group undertakings falling due within one year.

Amounts owed by group undertakings also includes trade balances of £4,131,000 (2016: £4,297,000).

Trade debtors are stated after provisions for impairment of £nil (2016: £47,000).

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements
for the year ended 31 December 2017**

16 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	5,910	5,108
Amounts owed to group undertakings	3,192	12,953
Corporation tax payable	5,914	6,050
Other taxation and social security	736	758
Derivative financial instruments (note 19)	162	1,996
Accruals and deferred income	8,050	6,050
	23,964	32,915

17 Provisions for liabilities

	Dilapidation £000
At 1 January 2017	354
Additions	11
At 31 December 2017	365

A provision of £165,000 (2016: £154,000) 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 2022.

A provision of £150,000 (2016: £150,000) has been recognised for anticipated dilapidation costs at a second site on cessation of the lease. The provision is expected to be utilised in 2021.

A provision of £50,000 (2016: £50,000) has been recognised for anticipated dilapidation costs at a third site on cessation of the lease. The provision is expected to be utilised in 2026.

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

**Notes to the financial statements
for the year ended 31 December 2017**

18 Deferred tax

Deferred tax consists of the following deferred tax assets/(liabilities):

	2017 £000	2016 £000
Accelerated capital allowances	(79)	(18)
Derivative financial assets	31	384
Other timing differences	461	85
Total deferred tax asset	413	451

The net deferred tax asset expected to reverse in 2018 is £334,000. This is primarily due to the reversal of timing differences on tangible fixed assets and derivative financial instruments.

The Company has £64,000 of unused capital losses to be carried forward. An asset has not been recognised in respect of these losses due to uncertainty over recoverability.

19 Financial instruments

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

	2017 £000	2016 £000
At 1 January	(1,996)	(806)
Changes in value dealt with in the profit and loss account	1,834	(1,190)
At 31 December	(162)	(1,996)

The forward foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. All outstanding contracts mature within 12 months of the year end. The principal Sterling amounts contracted at year end were:

	2017 £000	2016 £000
Contracts to sell Sterling	4,463	4,803
Contracts to buy Sterling	37,037	30,988

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements for the year ended 31 December 2017

20 Called up share capital (a) Share capital

	2017 No.	2017 £000
Allotted and fully paid ordinary shares of £1 each		
At 1 January 2017 and at 31 December 2017	10,050,000	10,050

There is a single class of ordinary shares. 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

Movements in the reserves are shown in the Statement of Income and Retained Earnings.

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 2017 was £70,000 (2016: £70,000).

22 Capital and other commitments

At 31 December 2017 the Company had the following capital commitments:

	2017 £000	2016 £000
Contracts for future capital expenditure not provided in the financial statements – property, plant and equipment	272	392

Lessee

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

	2017 £000	2016 £000
Payments due:		
Not later than one year	1,149	1,107
Later than one year and not later than five years	3,461	3,205
Later than five years	6,393	7,190
	11,003	11,502

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), incorporated in Sweden. Copies of the consolidated financial statements of Trelleborg AB (publ) can be obtained from PO Box 153, S-231 22, Trelleborg, Sweden.