



Trelleborg Sealing Solutions UK Limited
Annual report and financial statements
for the year ended 31 December 2021

Registered number: 00446036



Trelleborg Sealing Solutions UK Limited
Annual report and financial statements
for the year ended 31 December 2021

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Trelleborg Sealing Solutions UK Limited

Strategic report for the year ended 31 December 2021

The directors present their Strategic report on the Company for the year ended 31 December 2021.

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 2021 was £94.6m (2020: £89.1m) and the profit after tax for the financial year was £10.2m (2020: £7.2m). Net assets at 31 December 2021 totalled £35.0m (2020: £34.8m). The directors believe that the Company remains in a strong position and is well placed to take advantage of opportunities as the global economy recovers following Covid-19 disruption. Sales volumes are improving in a recovering domestic and international market but at different rates in different sectors.

The industrial business has recovered strongly, particularly in the semiconductor and healthcare and medical segments. The oil and gas segment saw lower investment levels in 2021 as the oil prices were generally low throughout, impacting all levels of the supply chain. Defence contracts are lumpy by nature and a strong 2020 was followed by a reduction in 2021.

Aerospace remains a large part of the company's market in the UK and has been the hardest hit by Covid-19 disruption. The first half of 2020 saw very strong sales as the order book took time to react to the sudden reduction in travel. The second half of 2020 then saw very low volumes for both new planes and after market, which continued into 2021. We have seen steady growth throughout 2021, accelerating in the second half of the year although still below pre-Covid levels.

Gross profit has been improved to 30.5% (2020: 30.2%) due to volumes recovering and strong cost control measures despite heavy material inflation in the second half of the year. A benefit due to intra-group management recharges totalling £4.3m was recorded in administrative expenses. Foreign exchanges movements are adverse to 2020 by £0.8m and government grants received through the furlough scheme reduced by £0.6m in 2021. The operating margin has therefore seen a 3.6% increase to 13.5% (2020: 9.9%).

In order to maintain sales and margins during the global supply constraints and continued capacity constraints as a result of Covid-19 actions continue to be taken to strengthen processes, exercise robust cost control and invest in activities that will deliver improved operating returns and working capital control. These are positioning the business to take advantage of the continued 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 resume the balanced strategy of seeking sales growth in its core activities whilst enhancing operating margins across its manufacturing business units. Disruption to material and equipment supplies across global markets and increasing material and overhead costs impacted on this strategy in 2021 and will continue to do so in 2022. Energy costs in particular have increased substantially, adding even more focus to the energy reduction programs planned and executed.

Trelleborg Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2021

The industrial segment has seen a steady increase in orderbook levels throughout 2021 and remains high compared to a year earlier. The short term (3 month) order book for Aerospace has now recovered to 2019 levels, though in 2020 the supply chain used high levels of safety stock through the pandemic. It therefore remains to be seen if re-stocking is part of the reason for the increases seen. This 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 and the price and availability of raw materials.

Competition risk is identified as the company continues to face a competitive landscape across most market areas. The failure to address this risk would result in loss of market share and thus a loss of profitability. The Company continues to focus on delivering good value and using, developing, and protecting intellectual property in order to provide solutions to customer problems rather than off the shelf parts. The company also services a range of market areas and the diversification of its offering over the aerospace and industrial sectors helps to protect against a large-scale loss of market share to any one segment specialist competitor.

Consumer demand is a principal risk particularly relevant in the period ended 31 December 2021, in the aerospace market. Reduced build rates of aircraft and grounding of fleets due to Covid-19 have driven the reductions in sales for the company in 2020 and the slower recovery through 2021. To mitigate the risk as much as possible the company continues to work with its customers, maintaining regular communication and analysing their published build rates to adapt and plan for changes in product mix demand. Costs in our Aerospace business continue to be monitored and adapted to the level of output required.

Pricing and availability of raw materials is identified due to the potential for reductions in margins as a result of price increases and the potential for disruption in the supply chain due to availability constraints. 2021 has seen global demand recovery very strongly following the 2020 Covid-19 recession. Global supply has not been able to keep pace, which has led to shortages in supply and high inflation. The Company continues to work closely with our partners to delay or reduce the impact of the market price increases and secure a steady supply. Where possible a second source of materials has also been secured to reduce exposure to individual suppliers. The Company has had to pass on price increases to customers where inflation of costs has been unavoidable. This situation is expected to continue into 2022.

The Company continues to monitor the impact of Britain leaving the EU, with the end of the transition period having been 31 December 2020. The main impact identified, being the disruption to the supply chain and logistics in the early part of 2021 was mitigated through safety stocks where appropriate and close communication with suppliers and carriers. Freight costs increased significantly and Trelleborg Sealing Solutions has taken actions to reduce the number of cross border shipments to address this additional cost.

Trelleborg Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2021

Principal risks and uncertainties (continued)

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 areas of impact in 2021 have been absenteeism due to quarantine requirements, social distancing and other hygiene actions taken to address employee safety. 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 continues to develop and implement 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. Overall disruption is now at a lower level than through the middle two quarters of 2020 and the UK vaccine program have been a catalyst to returning to normal work practices. 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.

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 2021

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 prior year comparative data is set out in the table below:

	2021	2020	Definition, method of calculation and analysis
Growth / (Decrease) in turnover (%)	6.1%	(19.6)%	Year-on-year turnover growth expressed as a percentage. The year-on-year increase is a result of strong recovery following the negative impacts of Covid-19 in 2020.
Return on turnover (%)	13.5%	9.9%	Return on turnover is the ratio of profit on ordinary activities before taxation to turnover expressed as a percentage. Return on turnover has improved as a result of cost controls and strengthened sales.
Working capital turns	13.4	16.3	Working capital turns is the ratio of turnover to inventory plus trade debtors less trade creditors. Increases in receivables and inventory have driven the deterioration 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. Under Section 172 the directors must, in performance of their duties, give consideration to the following factors, where relevant:

- 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.

The directors have identified the key stakeholders of the company as its members, employees, customers and suppliers. The directors, senior management and other employees engage with these key stakeholder groups, listening to their differing needs and priorities as an everyday part of its business to ensure that their input is considered and they make informed decisions, acting to promote the success of the company and to benefit the Company's members as a whole.

The strategic report, principal activities section, of the annual report highlights the key matters that have affected the business during the reporting period and where the directors have acted in accordance with Section 172 in respect of operational decisions.

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 Sealing Solutions UK Limited

Strategic report (continued) for the year ended 31 December 2021

Trelleborg is a global Group characterised 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 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 maintains employee engagement by providing employees with information on matters of concern. This is communicated both on a company and local level via an Intranet and regular employee briefings on a site level.

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.

Trelleborg Sealing Solutions UK Limited

**Strategic report (continued)
for the year ended 31 December 2021**

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:

A handwritten signature in black ink, appearing to read 'ND', followed by a long horizontal flourish.

Neil Davies
Director

30 March 2022

Trelleborg Sealing Solutions UK Limited

Directors' report

for the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

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 £5.0m (£0.4975 per ordinary share) subject to shareholder approval at the AGM. A dividend for 2020 of £5.0m (£0.4975 per ordinary share) was approved on 28 May 2021 and paid on 8 July 2021 and an interim dividend for 2021 of £5.0m (£0.4975 per ordinary share) was approved on 7 Dec 2021 and paid on 14 Dec 2021. 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 6.

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:

D Savary
K Bergenholtz
N Davies
G Micallef
S Douglass

Directors' indemnities

The ultimate parent undertaking, Trelleborg AB (publ), maintained throughout the year, and at the date of approval of the financial statements, third party liability insurance for all worldwide directors and officers, including those of the Company. 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 £367,000 was incurred within the year (2020: £541,000) 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 2021

Business relationships

The Directors recognise the need to foster the company's business relationships with suppliers, customers and others, and the effect of those relationships, including on the principal decisions taken by the company during the financial year.

As these relationships are of strategic importance to Trelleborg Sealing Solutions UK Limited further details can be found in the Strategic Report on pages 1 to 6 of these financial statements.

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 recovery following the impact of Covid-19 on market conditions in each of our segments. This is based on the recovery throughout 2021, 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. The key assumption is sales volumes and profitability has been modelled for a scenario where sales reduce by 10%, 20% and 30% from the growth 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 £16.9m in the group cash pooling facility at 31 December 2021.

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 at least twelve months from the approval of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Streamlined Energy and Carbon Reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Trelleborg Sealing Solutions UK Limited to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from Streamlined Energy and Carbon Reporting (SECR) regulated sources.

Energy and GHG emissions have been independently calculated by Envantage Ltd for the reporting period 1st January 2020 to 31st December 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines.

Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, natural gas, and business travel in company-owned or grey-fleet cars.

Trelleborg Sealing Solutions UK Limited

Directors' report (continued) for the year ended 31 December 2021

Streamlined Energy and Carbon Reporting (continued)

The table below details the regulated SECR energy and GHG emission sources from the current and previous reporting periods.

		FY21	FY20	% change
Energy (kWh)				
	Natural Gas	1,994,578	2,069,694	-3.6%
	Company Vehicles	32,036	74,957	-57.3%
	Electricity	9,345,958	8,471,095	10.3%
	Grey Fleet	16,260	26,692	-39.1%
	Total energy	11,388,832	10,642,438	7.0%
Emissions (tCO₂e)				
Scope 1	Natural Gas	365.3	380.6	-4.0%
Scope 1	Company Vehicles	7.9	19.0	-58.4%
Scope 2	Electricity	20.3	25.1	-19.0%
Scope 3	Grey fleet	5.0	6.6	-23.6%
	Total SECR emissions	398.6	431.2	-7.6%
Emission intensity ratio				
	Emissions intensity (tCO₂e / £m turnover)	4.22	4.84	-12.9%

Trelleborg Sealing Solutions UK Limited is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures.

Trelleborg Sealing Solutions UK Limited have considered the wider impact of their operations by quantifying all of their Scope 1 and Scope 2 emissions, which are reported internally to assist with their mitigation strategies against climate change.

Trelleborg Sealing Solutions UK Limited has also changed its company vehicle policy to switch from petrol and diesel vehicles to hybrid and electric alternatives. Going forwards only EVs and hybrids will be permitted within the company's fleet. Solihull are in the process of installing electric charging points for company vehicles with the expected to be complete by early-mid 2022.

In addition to the group wide initiatives, a number of changes have been made across the manufacturing and office sites to improve energy efficiency:

Cadley Hill have started the implementation of press monitoring equipment, used to identify areas of reduced usage to increase production efficiency and reduce energy waste. They have devised a re-utilisation of waste materials process, which decreases the energy usage of presses and processing raw materials and decreases the amount of material waste produced;

Tewkesbury have installed a vacuum pump, equipped with a variable speed drive (VSD) to maintain a vacuum in the clean room. This pump is more efficient with the potential to realise carbon savings of around 20%; and

Bridgwater have also replaced their old air compressors with higher energy efficiency models, with the potential generate carbon and energy savings.

Methodology

Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. Electricity consumption at Aberdeen and Solihull was estimated using office floor areas and energy benchmarks for offices, taken from CIBSE Guide F. Estimation of the energy consumption accounted for represent 0.24% of the company's total energy consumption.

Trelleborg Sealing Solutions UK Limited

Directors' report (continued) for the year ended 31 December 2021

Streamlined Energy and Carbon Reporting (continued)

Electricity emissions have been reported using both location and market-based factors. Location-based emissions have been calculated using the UK grid emissions factor published by BEIS, and market-based emissions have been calculated using supplier-specific fuel mix disclosures, in gCO₂/kWh, for 2020 -2021 representing the contractual arrangements in place. During FY20, the intensity metric was stated using the location based electricity emissions, however due to changes in the contractual arrangements, the intensity metric was stated using the market based electricity emissions total. For clarity, the FY20 intensity metric has been restated to use the market based emissions total for a consistent comparison.

Transport disclosures have been calculated using purchased fuel volumes and business mileage expense claim records. Fuel volumes and mileages have been converted into equivalent energy and GHG emissions using emissions factors published by BEIS in 2021. Where possible, business mileage data also specified the fuel type and engine size of the vehicle to allow for the appropriate emission factor to be used. Where this vehicle information was not available, the emission factor for unknown fuel type and engine size has been used.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trelleborg Sealing Solutions UK Limited

**Directors' report (continued)
for the year ended 31 December 2021**

Statement of disclosure of information to the auditor

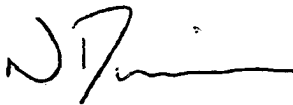
In the case of each of the persons who are directors at the time when this report is approved under section 418 of the Companies Act 2006 the following applies:

- 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

30 March 2022

Registered number: 00446036

Trelleborg
International Drive
Tewkesbury Business Park
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 2021 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 23.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud
(continued)**

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 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.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to 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 members, for our audit work, for this report, or for the opinions we have formed.



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

30 March 2022

Trelleborg Sealing Solutions UK Limited

**Statement of income and retained earnings
for the year ended 31 December 2021**

	Note	2021 £000	2020 £000
Turnover	5	94,562	89,112
Cost of sales		(65,809)	(62,185)
Gross profit		28,753	26,927
Distribution costs		(5,898)	(5,448)
Administrative expenses		(9,871)	(13,957)
Other operating (expenses)/income	6	(331)	1,309
Operating profit before interest and taxation	6	12,653	8,831
Interest receivable and similar income	8	29	44
Interest payable and similar expenses	8	(9)	(10)
Net interest income		20	34
Profit before taxation		12,673	8,865
Tax on profit	9	(2,452)	(1,696)
Profit for the financial year attributable to the equity shareholder of the Company		10,221	7,169
Profit and loss account at 1 January		24,776	27,607
Dividends paid	10	(10,000)	(10,000)
Retained earnings at 31 December		24,997	24,776

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 18 to 36 are an integral part of these financial statements.

Trelleborg Sealing Solutions UK Limited

Balance sheet at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	11	28		26	
Tangible assets	12	16,110		16,167	
Investment property	13	3,300		3,300	
			19,438		19,493
Current assets					
Stocks	14	6,214		5,071	
Debtors	15	33,964		29,499	
Cash at bank and in hand		-		-	
		40,178		34,570	
Creditors: amounts falling due within one year	16	(23,130)		(18,061)	
Net current assets			17,048		16,509
Total assets less current liabilities			36,486		36,002
Provisions for liabilities	17		(1,439)		(1,176)
Net assets			35,047		34,826
Capital and reserves					
Called up share capital	19		10,050		10,050
Profit and loss account	19		24,997		24,776
Shareholder's funds			35,047		34,826

The notes on pages 18 to 36 are an integral part of these financial statements.

The financial statements on pages 16 to 36 were authorised for issue by the board of directors on 30 March 2022 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 2021

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" (FRS 102) 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.

Forecasting has been prepared on a rolling 12-month basis and takes into account the expected recovery following the 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. The key assumption is sales volumes and profitability has been modelled for a scenario where sales reduce by 10%, 20% and 30% from the growth 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 £16.9m in the group cash pooling facility at 31 December 2021.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Going concern(continued)

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 at least twelve months from the approval of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 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 FRS 102 paragraphs 11.40 to 11.48A;
- from disclosing transactions with members of the same group that are wholly owned, as required by FRS 102 paragraph 33.1A; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The consolidated financial statements of Trelleborg AB (publ) can be obtained from the address given in note 23.

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.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

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

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 of 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 2021

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.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Trelleborg Sealing Solutions UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Impairment of assets (continued)

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, 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. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

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.

Government Grants

Government grants are recognised based on the accrual model and are measured at the fair value of the amount receivable. Grants relating to revenue are recognised in income over the period in which the income is receivable.

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 2021**

3 Summary of significant accounting policies (continued)

Financial instruments

The Company has adopted Sections 11 and 12 of FRS 102 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 the risks and rewards of ownership of the financial asset, or c) the Company, despite retaining 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 FRS 102 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 2021****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 based on several offers received from third-party buyers. An offer has been accepted but is conditional that planning permission be granted. This gives 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:

	2021 £000	2020 £000
Europe	40,655	36,706
North America	4,770	4,344
China	4,150	2,113
Hong Kong	486	797
India	298	643
Japan	509	380
South Korea	5,855	5,044
Philippines	130	265
South Africa	234	208
Singapore	995	937
Rest of world	332	414
Total exports	58,414	51,851
United Kingdom	36,148	37,261
	94,562	89,112

All turnover (2020: all turnover) is generated from the sale of goods.

Intra-group sales of £56,786,000 (2020: £49,786,000) 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 2021**

6 Operating profit

Operating profit is stated after charging/(crediting):

	2021	2020
	£000	restated £000
Loss on disposal of tangible assets	37	159
Management recharges	973	5,255
Depreciation	2,387	2,190
Amortisation	9	13
Operating lease charges	1,302	1,025
Foreign exchange losses/(gains)	272	(512)
Research and development expenditure	367	541
Audit fees payable to the Company's auditor – auditing of the financial statements	137	136
Government Grants	(25)	(635)

Management recharges represent the recharges to the Company of expenses Trelleborg AB (publ) group companies incur on its behalf.

Management recharges in 2020 were £5,255,000. The prior year financial statements disclosed an amount of £640,000 in note 6. The 2020 comparative has therefore been corrected in the note above. The error was isolated to the note disclosure and was caused by a typographical error in the prior year financial statements.

Other Operating Income includes £25,000 (2020: £635,000) of grants in relation to the Coronavirus Job Retention Scheme which is accounted for as a revenue grant.

7 Employees and employee benefits

(a) Employees

	2021	2020
	£000	£000
Wages and salaries	26,298	25,714
Social security costs	2,315	2,256
Other pension costs	1,217	1,187
Staff costs	29,830	29,157

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements (continued)
for the year ended 31 December 2021****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	2021 No.	2020 No.
Manufacturing	445	487
Sales	71	75
Technical	66	63
Finance, administration and management	81	80
	663	705

(b) Directors

The directors' emoluments (for those directors paid by the company) were as follows:

	2021 £000	2020 £000
Aggregate emoluments	491	527
Company contributions to money purchase pension schemes	17	18
	508	545

Post-employment benefits are accruing to 2 directors (2020: 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:

	2021 £000	2020 £000
Emoluments	212	227
Contributions to money purchase pension schemes	-	-
	212	227

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

8 Net interest income

Interest receivable and similar income	2021 £000	2020 £000
Interest receivable from group undertakings	29	44
Interest payable and similar expenses	2021 £000	2020 £000
Interest payable to group undertakings	(9)	(10)
Net interest income	20	34

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

9 Tax on profit

(a) Tax expense included in profit or loss

	2021 £000	2020 £000
Current tax:		
UK Corporation tax on profits for the year	2,516	1,663
Adjustments in respect of prior periods	(202)	12
Total current tax	2,314	1,675
Deferred tax (note 18):		
Origination and reversal of timing differences	(73)	68
Adjustment in respect of prior periods	211	(49)
Impact of change in tax rate	-	2
Total deferred tax charge	138	21
Tax on profit	2,452	1,696

(b) Reconciliation of tax charge

Tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before tax	12,673	8,865
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	2,408	1,684
Expenses not deductible for tax purposes	35	47
Adjustments to tax charge in respect of prior periods	9	(37)
Re-measurement of deferred tax – change in UK tax rate	-	2
Tax charge for the year	2,452	1,696

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

9 Tax on profit (continued)

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 24 May 2021). These included an increase in the main rate to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using the enacted tax rates where appropriate and reflected in these financial statements.

10 Dividends

	2021 £000	2020 £000
Dividends paid or accrued in the year	10,000	10,000

The directors recommend a payment of a final dividend of £5.0m (£0.4975 per ordinary share) subject to shareholder approval at the AGM. A dividend for 2020 of £5.0m (£0.4975 per ordinary share) was approved on 28 May 2021 and paid on 8 July 2021 and an interim dividend for 2021 of £5.0m (£0.4975 per ordinary share) was approved on 7 Dec 2021 and paid on 14 Dec 2021. Dividends were not accounted for within the prior year financial statements but were approved through written resolutions in 2021.

11 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2021	34,105	645	34,750
Additions	-	11	11
Disposals	-	-	-
At 31 December 2021	34,105	656	34,761
Accumulated amortisation and impairment			
At 1 January 2021	(34,105)	(619)	(34,724)
Amortisation	-	(9)	(9)
Disposals	-	-	-
At 31 December 2021	(34,105)	(628)	(34,733)
Net book amount at 31 December 2021	-	28	28
Net book amount at 31 December 2020	-	26	26

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 2021**

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 2021	3,216	3,269	30,926	2,796	40,207
Additions	33	-	384	1,963	2,380
Transfers	777	451	2,062	(3,290)	-
Disposals	-	(17)	(1,289)	(11)	(1,317)
At 31 December 2021	4,026	3,703	32,083	1,458	41,270
Accumulated depreciation and impairment					
At 1 January 2021	(1,472)	(1,975)	(20,593)	-	(24,040)
Depreciation	(85)	(159)	(2,143)	-	(2,387)
Disposals	-	17	1,250	-	1,267
At 31 December 2021	(1,557)	(2,117)	(21,486)	-	(25,160)
Net book amount at 31 December 2021	2,469	1,586	10,597	1,458	16,110
Net book amount at 31 December 2020	1,744	1,294	10,333	2,796	16,167

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

Included in freehold land and buildings is freehold land of £332,000 (2020: £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 2021****13 Investment property**

	2021 £000	2020 £000
Value		
At 1 January	3,300	3,300
Net gain from fair value adjustments	-	-
At 31 December	3,300	3,300

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 2020 initially at a net value of £3.3m from a third party. Subsequently, higher offers conditional on planning permission being granted have been received. As the higher offers are conditional on an event beyond the control of the company, the investment property has not been revalued up to this higher level at the balance sheet date. The planning permission application is still being considered.

The historical cost of investment properties held at fair value is £600,000 (2020: £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 £nil (2020: £nil) per year.

14 Stocks

	2021 £000	2020 £000
Raw materials	4,499	3,872
Work in progress	925	574
Finished goods and goods for resale	790	625
	6,214	5,071

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

Inventories are stated after provisions for impairment of £972,000 (2020: £1,011,000) in relation to slow-moving or obsolete items. The Statement of income and retained earnings shows this in cost of sales.

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements (continued)
for the year ended 31 December 2021****15 Debtors**

	2021 £000	2020 £000
Trade debtors	8,403	5,749
Amounts owed by group undertakings	23,067	22,715
Prepayments and accrued income	2,494	1,035
	33,964	29,499

The Company operates its bank accounts within a group cash pool facility operated by a fellow subsidiary. As at 31 December 2021 the cash pool balance was £16.9m. 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 £5,673,000 (2020: £4,082,000). Trade debtors are stated after provisions for impairment of £nil (2020: £nil).

16 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	7,557	5,381
Amounts owed to group undertakings	3,016	2,687
Corporation tax	2,996	2,917
Group relief payable	982	1,503
Other taxation and social security	1,481	1,069
Accruals and deferred income	7,098	4,504
	23,130	18,061

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.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

17 Provisions for liabilities

	Dilapidation £000	Other £000	Deferred tax (note 18) £000	Total £000
At 1 January 2021	959	134	83	1,176
Additions / (Reversals)	141	(16)	138	263
At 31 December 2021	1,100	118	221	1,439

A provision of £189,000 (2020: £183,000) 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 £911,000 (2020: £776,000) has been recognised for anticipated dilapidation costs at two further sites on cessation of their lease. The provision is expected to be utilised between 2022 and 2026.

Other provisions include amounts in relation to restructuring costs, production provisions and settlement of other claims.

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

18 Deferred tax

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

	2021 £000	2020 £000
Accelerated capital allowances	(574)	(343)
Other timing differences	353	260
Total deferred tax liability	(221)	(83)

The net deferred tax asset expected to reverse in 2021 is £259,000. 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.

Trelleborg Sealing Solutions UK Limited

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

19 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 2021 and at 31 December 2021	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

Profit and loss account – This represents cumulative profits or losses net of dividends paid and other adjustments.

20 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 2021 was £800,000 (2020: £800,000).

21 Capital and other commitments

At 31 December 2021 and 2020 the Company had the following tangible fixed asset capital commitments:

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

	2021 £000	2020 £000
Contracts for future capital expenditure not provided in the financial statements – plant and equipment	307	636

Trelleborg Sealing Solutions UK Limited**Notes to the financial statements (continued)
for the year ended 31 December 2021****21 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:

	2021 £000	2020 £000
Payments due:		
Not later than one year	1,131	1,018
Later than one year and not later than five years	3,761	3,863
Later than five years	2,597	3,271
	7,489	8,152

22 Related party transactions

The Company has taken advantage of the exemption contained within FRS 102 and not disclosed transactions or balances with companies that are fellow wholly owned subsidiaries of Trelleborg AB (publ).

23 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.