

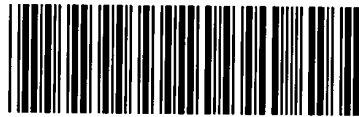
# Timken UK Limited

## Report and Financial Statements

31 December 2018

Company Number: 3392504

THURSDAY



A17 \*A8AX58W0\* #321  
01/08/2019  
COMPANIES HOUSE

# Timken UK Limited

## Company Information

### Directors

A Roellgen  
P Fracassa

### Secretary

K Saft

### Auditors

RSM UK Audit LLP  
St Philips Point  
Temple Row  
Birmingham  
West Midlands  
B2 5AF

### Bankers

HSBC Bank PLC  
City of London Branch  
60 Queen Victoria Street  
London  
EC4N 4TR

### Solicitors

Jones & Day Reavis and Pogue  
Bucklersbury House  
3 Queen Victoria Street  
London  
EC4N 8NA

### Registered Office

Timken UK Limited  
Unit 4 Yorks Park  
Blowers Green Road  
Dudley  
DY2 8UL

# Timken UK Limited

## Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

### Review of the business

The company's principal activities continue to be the manufacture and repair of industrial and rail bearings. A sales and customer service team is also employed in the United Kingdom to meet and find global opportunities in industrial and automotive related bearings.

The key financial and other performance indicators during the year were as follows:

	<b>2018</b>	<b>2017</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Turnover	25,251	20,686	22
Gross Profit	6,340	5,690	11
Operating Profit/ (loss) before exceptional items	1,731	1,083	60
Profit/(Loss) after Tax	(683)	2,729	(125)
Equity shareholders' funds	17,067	21,844	(22)
Current assets as % of current liabilities	139%	185%	(27)
Average number of employees	129	130	(1)

Total turnover increased by 22% (£4.6m) during the year. Additional sales of £4m were generated in 2018 due to an increase in Intercompany activity (30% increase). The other £0.5m increase related to trade sales within the Revolve division.

The gross profit remains reasonably stable at 25% of turnover compared to 2017 return of 27%. The slight decline in margin was due to foreign exchange losses in 2018.

Total operating profit decreased by 198%, the variance is caused by the exceptional item of £2.7m which is the result of the GMP equalisation (see below comments). If this is removed for analysis purposes and operating profit is compared to the increase in turnover; the ratio is comparable to 2016.

2017 operating profit compared to turnover is 7% and 2016 returns 5%. As mentioned this is due to an increase in activity throughout the company which had a beneficial effect on UK as Intercompany sales increased by 30%.

There was a loss after tax for 2018, this was a result of the gender equalization court ruling made in 2018. The Timken UK pension scheme has seen an increase in liabilities which has been recognised in the Income Statement as an exceptional item.

Inventory levels at the year end were higher than 2017, which was a result of late supply which in turn led to a high level of components awaiting completion.

Amounts due to group undertakings increased by 50% which is explained in note 15. The increase is due to an additional intercompany loan agreement which was entered into in December 2018.

The defined benefit pension scheme valuation under FRS 102 remains as an asset. However the funded status over the year reduced by £5m, this reduction reflects lower than expected investment returns on investment and a one off increase to the liabilities as a result of the potential impact of GMP equalisation following a High Court ruling in October 2018.

The shareholders' funds remain positive. The company remains strong in terms of cash flow with strong margins, cost control, and a moderate amount in capital spending plans.

The total number of employees remains fairly consistent falling by 1% to 129 from 130 in 2017.

# Timken UK Limited

## Strategic Report (continued)

### Future Developments

Business is expected to remain stable and projected business plans for 2019 show consistent operational activity which is expected to be similar to 2018.

### Principal risks and uncertainties

All activities and associates are subject to global policies and controls, which in some cases are amended to reflect the respective country requirements, practices and statutory needs. Establishment of risk and uncertainties therefore is guided by local management meetings and committees, corporate governance and/or statutory requirement.

#### ➤ Competitive risks

The Revolve unit sells directly to trade customers, and operates within a limited customer base. Even with exporting to Europe, potential customer risks are limited and in all cases the start up on new contracts and opportunities is by incremental protracted steps. The other business sectors predominately sell their products on an intercompany basis so this risk is managed by those units.

#### ➤ Statutory and trade compliance risk

In each sector products must be manufactured in line with statutory approvals such as ISO 9001 and the company has achieved a variety of authority approvals, for instance for Aerospace some parts require Civil Aviation authority approval. Additionally customers instigate stringent quality checks and rating processes. The company continues to meet Health and Safety regulations and is continually appraising itself of revision and new directives as they become applicable.

#### ➤ Financial risk

The parent company operates under a Sarbanes Oxley regime as they are listed on the US stock exchange and that philosophy is installed into all of their units globally. In the UK, the company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives and to protect company assets from fraud or inadequate control processes. Timken UK has not entered into any hedging arrangements at 31 December 2018 and therefore has no derivative financial instruments at that date.

The company's pension scheme is currently in an accounting surplus position, however the scheme remains in a funding deficit and therefore future contributions are still required. To that extent the parent company has agreed with the trustees to put in place a floating guarantee that is legally documented between the company and the Trustees of the pension scheme. This is set to make payments to the Scheme up to a maximum amount equal to the lowest non-negative amount. When added to the assets of the Scheme, it would result in the Scheme being at least 110 per cent funded on the date on which any liability under this Deed arises.

#### ➤ Exposure to price, credit, liquidity and cash flow risk

The company feels that there is minimal risk in terms of costs with the only potential problem likely to be a global escalation in the value of bearings steel and energy costs. In terms of credit risk a third of debtors shown in note 14 are intercompany. The only unit that trades with third party customers is the Revolve business and nearly all of the customers are of substantial financial status.

The company has no problems in meeting obligations associated with normal trading conditions and is supported by the parent company in reducing the defined pension scheme deficit within an acceptable timescale.

In terms of cash flow risk, there is little exposure to variability with cash flows being very predictable and any significant pension scheme payments are funded by The Timken Company.

# Timken UK Limited

## Strategic Report (continued)

### ➤ UK Withdrawal from Europe

The impending withdrawal of the UK from the European Union is likely to have an impact upon the Business. The timing of such an impact and its magnitude is difficult to quantify given the ongoing political process and uncertainty surrounding the nature of the future trading relationship with the European Union and changes to the regulatory framework. The global customer and supplier base of the Timken UK business mitigates the potential risks involved. It is our view that only the tariffs on imported European materials and on goods exported to the EU will have a material impact on the trading activities of the business and under a “no deal” / worst case scenario we estimate the potential incremental cost to be no greater than £200,000 per annum. We would expect such an impact to be short term in nature and anticipate the UK and EU reaching an agreement to eliminate or greatly reduce tariffs over the medium to long-term.

A high level analysis of the possible impact of ‘Brexit’ on the TUK Section of the Timken UK Pension Scheme has been carried out and discussed by the Trustees. If the UK leaves the EU with a deal and current market conditions are maintained, the funding level is expected to improve to around 97%, equivalent to a deficit of around £6 million. Consequently, the current Recovery Plan will likely be sufficient to remove the ongoing funding deficit without the need for any additional contributions from the Company, thus the trustees have decided not to pursue any hedging actions for the Scheme assets at this time.

On behalf of the board



P Fracassa  
Director  
23 July 2019

# Timken UK Limited

## Directors' Report

Registered No. 3392504

The directors present their report for the year ended 31 December 2018.

### Directors of the Company

The current directors are shown on page 1.

### Dividends

The directors approved a dividend payment of £4.3m to the Timken Company on the 17<sup>th</sup> December 2018. (2017: £ nil) .

### Research and development

The company's ultimate parent company, The Timken Company has developed a significant global footprint of Technology centres, with the largest technical centre being located in Canton, Ohio, which supports innovation and know-how for friction management product lines, such as tapered roller bearings and needle bearings. All Timken units have a commitment towards development of new and improved friction management and power transmission product designs, with a heavy influence in related steel materials and lean manufacturing processes.

### Financial Instruments

Details of financial instruments are provided in the strategic report on page 3.

### Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to price, credit, liquidity and cash flow risks are described on page 3.

The company has its own banking arrangements which are underpinned and agreed with its parent. The Company has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# Timken UK Limited

## Directors' Report (continued)

### Directors' liability

The company has arranged adequate directors and officer's liability insurance, to its directors. Such insurance remains in force at the date of approving the director's report.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Company's auditor in connection with preparing its report, of which the auditor is unaware.

Additionally each director has taken all the steps that he is obliged to take as a director in order to make himself aware if any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

### Matters of strategic importance

Future developments and financial instrument risk exposure required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been included in the Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

### Post Balance Sheet Events

On the 1<sup>st</sup> April 2019 Timken UK acquired Diamond Chains (UK) via share allotment. The value of the shares issued was £5.6m.

On behalf of the board



P Fracassa

Director

23 July 2019

# Timken UK Limited

## Statement of directors' responsibilities statement

### Directors' responsibilities statement

The directors are responsible for preparing the Directors Report, Strategic 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 Practice (United Kingdom Accounting Standards 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 and loss of the company for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Independent auditor's report to the members of Timken UK Limited**

### **Opinion**

We have audited the financial statements of Timken UK Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **Other information**

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

## **Independent Auditor's report to the members of Timken UK Limited**

(continued)

### **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.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

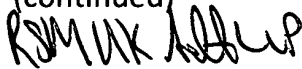
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

### **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's report to the members of Timken UK Limited**

(continued)



**Philip Coleman (Senior Statutory Auditor)**

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

West Midlands, B2 5AF

Date: 

# Timken UK Limited

## Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	2	25,251	20,686
Cost of Sales		(18,911)	(14,996)
Gross Profit		6,340	5,690
Distribution Costs		(934)	(855)
Administration Expenses		(6,472)	(3,752)
Operating profit before exceptional items		1,731	1,083
Pension Expense relating to GMP equalisation		(2,797)	-
Operating (Loss)/Profit	3	(1,066)	1,083
Income from shares in group undertakings		-	1,000
Interest receivable and similar income		1	-
Interest payable and similar charges	5	(23)	(74)
Profit/(Loss) on disposal of tangible fixed assets		(14)	2
Miscellaneous Income		36	-
Other finance income	6	151	116
<b>(Loss)/Profit on ordinary activities before taxation</b>		<b>(915)</b>	<b>2,127</b>
Tax on (Loss)/Profit on ordinary activities	8	232	602
<b>(Loss)/Profit on ordinary activities after taxation</b>		<b>(683)</b>	<b>2,729</b>
<b>Other Comprehensive Income</b>			
Actuarial (loss)/gain on defined benefit plans		(1,944)	1,575
<b>Other Comprehensive Income</b>		<b>(1,944)</b>	<b>1,575</b>
<b>Total comprehensive income for the financial year</b>		<b>(2,627)</b>	<b>4,304</b>

# Timken UK Limited

## Statement of Changes in Equity

For the year ended 31 December 2018

	Called up Share Capital £'000	Share Premium £'000	Profit and Loss Account £'000	Total £'000
<b>As at January 2017</b>	<b>3,500</b>	<b>46,400</b>	<b>(32,360)</b>	<b>17,540</b>
Profit for the Year	-	-	2,729	2,729
Other Comprehensive Income net of tax:	-	-	1,575	1,575
Total Comprehensive Income for the Year	-	-	4,304	4,304
<b>As at 31 December 2017</b>	<b>3,500</b>	<b>46,400</b>	<b>(28,056)</b>	<b>21,844</b>
Loss for the Year	-	-	(683)	(683)
Actuarial loss on defined benefit plan net of tax:	-	-	(1,944)	(1,944)
Total Comprehensive Income for the Year	-	-	(2,627)	(2,627)
<b>Transactions with owners in their capacity as owners:</b>				
Dividends	-	-	(4,300)	(4,300)
Issue of shares	-	2,150	-	2,150
Capital reduction	-	(32,356)	32,356	-
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>(30,206)</b>	<b>28,056</b>	<b>(2,150)</b>
<b>As at 31 December 2018</b>	<b>3,500</b>	<b>16,194</b>	<b>(2,627)</b>	<b>17,067</b>

# Timken UK Limited

## Statement of Financial Position

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed Assets</b>			
Intangible assets	10	2,050	2,271
Tangible assets	11	1,509	1,364
Investments	12	8,233	8,233
		<u>11,792</u>	<u>11,868</u>
<b>Current Assets</b>			
Stocks	13	6,659	5,639
Debtors	14	2,173	2,435
Cash at bank and in hand		223	93
		<u>9,055</u>	<u>8,167</u>
Creditors: amounts falling due within one year	15	<u>(6,617)</u>	<u>(4,287)</u>
<b>Net Current Assets</b>		<u>2,438</u>	<u>3,880</u>
<b>Total Assets less Current Liabilities</b>		<b>14,230</b>	<b>15,748</b>
Defined benefit pension asset	20	<u>2,837</u>	<u>6,096</u>
<b>Net Assets</b>		<u><b>17,067</b></u>	<u><b>21,844</b></u>
<b>Capital and Reserves</b>			
Called up share capital	18	3,500	3,500
Share Premium	19	16,194	46,400
Profit and loss account	19	<u>(2,627)</u>	<u>(28,056)</u>
<b>Total Equity</b>		<u><b>17,067</b></u>	<u><b>21,844</b></u>

The financial statements were approved by the Board of Directors on 23 July 2019

Signed on behalf of the board of directors:

  
 P Fiacassa  
 Director

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies

#### Company Information

Timken UK Limited is a private company limited by shares incorporated in England. The Registered Office is Unit 4, Yorks Park, Blowers Green Road, Dudley, DY2 8UL.

#### Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000, except where otherwise indicated.

The financial statements present information about the Company as an individual undertaking and not as a group. The company has taken advantage of the exemption in section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated financial statements of The Timken Company, a company incorporated in the USA, which are available to the public from its registered office: 1835 Dueber Avenue, S.W., PO Box 6927, Canton, Ohio 44-706-0927, USA.

The company has taken the following disclosure exemptions under FRS 102:

- the requirements of Section 4 – Statement of Financial Position, paragraph 4.12(a)(iv) to disclose a reconciliation of the number of shares outstanding at the beginning and at the end of the period
- the requirements of Section 7 – Statement of Cash Flow – and Section 3 – Financial Statement Presentation, paragraph 3.17(d) to present a cash flow statement
- the requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A in relation to disclosure requirements of financial instruments
- the requirement of Section 33 – Related Party Disclosures, paragraph 33.7, to disclose key management personnel compensation

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### *Goodwill and other intangible assets*

The Company establishes a reliable estimate of the useful life of goodwill and other intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### ***Pension and other post-employment benefits***

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the pension trustees considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 20.

#### **GMP Equalisation.**

Due to the court ruling in 2018 regarding GMP Equalisation, the Timken UK pension scheme has seen an increase in liabilities which has been recognised in the Income Statement as a past service cost at the judgement date of 26<sup>th</sup> October 2018. The costs are based on a comparison of the cumulative value of members' benefits with the benefits of a notional member of the opposite sex. This is method C2 under the terminology of the Lloyds Judgement. This is the minimum cost approach permitted by the Lloyds Judgement. The impact on the liabilities has been approximated based on pension splits taken from the latest actuarial valuation at 5 April 2017.

#### ***Taxation***

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

The principle accounting policies adopted are set out below.

#### ***Goodwill***

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

Goodwill arising on the acquisition of Revolve Limited is being amortised evenly over the directors estimate of its useful life of 15 years which is in line with the Technology & Customer Relationships amortisation as per intangible assets note below.

The estimated useful life is based on a variety of factors such as the expected use of the acquired business, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Having considered these factors the directors believe that a useful life of 15 years is appropriate for goodwill.

#### ***Going Concern***

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.



# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Trade name/ Trademarks	–10 year's straight line
Customer Relationships	–15 years' straight line
Technology	–15 year's straight line
Software	–3/7 year's straight line

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

#### Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

- Leasehold Property            - over the shorter of the lease term and 50 years
- Plant & Machinery            - over 3 to 12 years
- Office Equipment              - over 3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets in the course of construction are carried at cost, less any identified impairment loss. Depreciation commences when the assets are ready for their intended use.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit and loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw Materials, consumables and goods for resale	- purchase cost on a first in, first- out basis.
Work in progress and finished goods	- cost of direct materials, labour and attributable overheads based on a normal level of activity

#### Stock Impairment

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

#### Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the ruling rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks.

#### Financial assets

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' of FRS 102 to all of its financial instruments.

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

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables, amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest.

#### Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit and loss.

#### Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the financial asset and substantially all the risks and rewards of ownership are transferred to another entity.

#### Financial liabilities

Basic financial liabilities, which include trade and other payables and amounts due to group undertakings, are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expire.

#### Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### Pensions and other post-retirement benefits

The Company operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. The UK scheme was closed to new members in 2006 from which time membership of a defined contribution plan is available. The defined benefit pension scheme was closed to future accrual from 1 July 2015, although active employees retain the link to future salary increases in their benefits.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total of the plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Timken UK Limited is the sponsoring employer of the United Kingdom defined benefit scheme as it has legal responsibility for the plan. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual group entities and therefore the company has recognised the entire net defined benefit cost and relevant net defined benefit liability of the United Kingdom scheme in its individual financial statements.

A pension surplus is recognised to the extent that the Company is able to recover the surplus either through reduced future contributions or through refunds from the plan. As there is minimal guidance in FRS 102 on the recoverability of a pension surplus the Company has made reference to EU-adopted IFRS. Where the pension surplus is recoverable through a refund from the scheme which would be subject to a tax of 35%, this is treated as a refund tax and is deducted from the pension surplus recognised. No liability is recognised in respect of minimum funding requirements in accordance with FRS 102.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Service Revenue*

Revenue from services performed on behalf other intercompany entities, is recognised when incurred. Such services include payroll, technical services, business strategy development and overall management of sales and marketing. Revenue is recognised as cost, based on an hourly rate as per an intercompany service agreement, plus a five per cent mark-up.

#### *Commissions*

Revenue is received from other Timken Entities for sales and marketing services provided throughout the financial period. The charge is based upon an annual study carried out by Timken US which calculates a % to be applied to monthly sales into another entities "sales territory". The income is recognised on a monthly basis in the form of an intercompany commissions memo.

#### *Operating lease commitments*

The Company has entered into commercial property leases as a lessee on its office premises and company vehicles. Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

#### *Exceptional Items*

The Company presents as exceptional items those material items of income and expense which, because of their nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 2. Turnover

The company operates in one principal area of activity, that of the manufacture and repair rail and process industries bearings.

Turnover is analysed as follows:

<b>Split by Activity</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Sale of goods	21,467	17,359
Commissions	3,248	2,721
Rendering of Services	536	606
<b>Total</b>	<b>25,251</b>	<b>20,686</b>
 <b>Geographical Segments:</b>	 <b>2018</b>	 <b>2017</b>
	<b>£'000</b>	<b>£'000</b>
UK	4,836	2,803
Rest of Europe	12,357	15,417
North America	2,924	1,109
Rest of World	5,134	1,357
<b>Total</b>	<b>25,251</b>	<b>20,686</b>

### 3. Operating (Loss)/ Profit

This is stated after charging:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of owned assets	344	357
Amortisation of goodwill	51	51
Amortisation of other intangible assets	183	171
<b>Total depreciation and amortisation charge</b>	<b>578</b>	<b>579</b>
 <b>Stock Impairment</b>		
Movement in provision	(188)	(1,269)
<b>Cost of stock</b>		
Amount expensed in cost of sales	10,982	8,339
 Foreign Exchange differences	94	(595)
 Operation lease rentals – land and building	481	481
– plant and machinery	266	233
	<b>747</b>	<b>714</b>
 <b>Exceptional Items</b>		
GMP equalisation	2,797	-
	<b>2,797</b>	<b>-</b>

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 4. Auditors Remuneration

Fees payable to RSM UK Audit LLP and its associates are as follows:

	2018 £'000	2017 £'000
Statutory audit of the company	26	25
<b>Total Audit</b>	<b>26</b>	<b>25</b>

### 5. Interest Payable and similar charges

	2018 £'000	2017 £'000
Interest payable to group undertakings	21	72
Other interest	2	2
	<b>23</b>	<b>74</b>

### 6. Finance Income

	2018 £'000	2017 £'000
Net interest on defined benefit pension asset	151	116
	<b>151</b>	<b>116</b>

### 7. Staff Costs

	2018 £'000	2017 £'000
Wages and salaries	4,603	4,483
Social security costs	511	463
Defined contribution pension costs	251	243
	<b>5,365</b>	<b>5,189</b>

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

	2018 No.	2017 No.
Production Staff	87	83
Administrative Staff	42	47
	<b>129</b>	<b>130</b>

The directors are remunerated by other group companies. A recharge of £39,100 is made for their services based upon an allocation of time spent (2017: £45,776) .

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 8. Tax.

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018 £000	2017 £000
Adjustment in respect of previous periods	(77)	(327)
Group Relief receivable	(155)	(275)
Total current tax	<u>(232)</u>	<u>(602)</u>
Total tax credit	<u>(232)</u>	<u>(602)</u>

The tax credit for the year can be reconciled to the profit per the statement of comprehensive income as follows:

Profit on ordinary activities before tax	<u>(915)</u>	<u>2,127</u>
Tax on profit at standard UK tax rate of 19% (2017: 19.25%)	(174)	409
Effects of:		
Expenses not deductible	7	3
Income not taxable	-	(192)
Deferred tax not recognised	12	(495)
Adjustment in respect of historic group relief surrendered	(77)	(327)
Tax credit for the period	<u>(232)</u>	<u>(602)</u>

(b) Factors affecting total tax charge

The standard rate of UK corporation tax reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting period are taxed at 19% (2017: 19.25%). Legislative changes reducing the main rate of corporation tax to 17% from April 2020 had been substantively enacted by the balance sheet date. The items of deferred tax noted below have therefore been translated at a rate of 17%

(c) Deferred tax

	2018 £'000		2017 £'000	
	Provided	Not Provided	Provided	Not Provided
Fixed assets differences	(399)	-	(479)	-
Timing differences	732	-	1,494	-
Tax losses	(333)	(5,957)	(1,015)	(5,312)
Total	<u>-</u>	<u>(5,957)</u>	<u>-</u>	<u>(5,312)</u>



# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 9. Dividends

The directors approved total dividends payable in the year of £4.3m (2017: £0)

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Dividends on equity shares	4,300	-
	<u>4,300</u>	<u>-</u>

## Timken UK Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 10. Intangible Assets

	Tradename/ Trademark £'000	Technology £'000	Customer Relationships £'000	Goodwill £'000	Software £'000	Total £'000
Cost:						
As at 1 January 2018	120	770	900	771	561	3,122
Additions	-	-	-	-	14	14
Disposals	-	-	-	-	(1)	(1)
As at 31 December 2018	120	770	900	771	574	3,135
Amortisation:						
As at 1 January 2018	(37)	(157)	(187)	(156)	(314)	(851)
Provided in the Year	(19)	(51)	(60)	(51)	(53)	(234)
Disposals	-	-	-	-	-	-
As at 31 December 2018	(56)	(208)	(247)	(207)	(367)	(1,085)
Carrying amount:						
As at 31 December 2018	64	562	653	564	207	2,050
As at 1 January 2018	83	613	713	615	247	2,271

The amortisation of goodwill and other intangible assets are included within administration expenses.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 11. Tangible Fixed Assets

	Leasehold Property £'000	Office Equipment £'000	Plant & Machinery £'000	Assets under Construction £'000	Total £'000
Cost:					
At 1 January 2018	368	640	3,460	5	4,473
Additions	8	3	517	10	538
Transfers	-	-	5	(5)	-
Disposals	(43)	(46)	(230)	-	(319)
At 31 December 2018	333	597	3,752	10	4,692
Depreciation:					
At 1 January 2018	(261)	(504)	(2,344)	-	(3,109)
Provided during the year	(23)	(49)	(272)	-	(344)
Disposals	43	44	183	-	270
As 31 December 2018	(241)	(509)	(2,433)	-	(3,183)
Net Book Value:					
As at 31 December 2018	92	88	1,319	10	1,509
At 31 December 2017	107	136	1,116	5	1,364

### 12. Investments

Subsidiary undertakings	Total £000
Cost as at 1 January and 31 December 2018	8,233
Name	Interlube Limited
	Registered Address:
	First Floor Black Country House. Rounds Green
	Road. Oldbury. West Midlands, B69 2DG
Percentage Shareholding	100%
Class of shares	Ordinary
Nature of Business	Manufacture of component lubrication

### 13. Stocks

	2018 £'000	2017 £'000
Raw materials	540	447
Work in progress	2,433	1,850
Finished goods	3,686	3,342
	<b>6,659</b>	<b>5,639</b>

The difference between purchase price and production cost of stocks and their replacement cost is not material.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 14. Debtors

	2018	2017
	£'000	£'000
Trade debtors	812	1,388
Amounts owed by group undertakings	813	751
Other debtors	301	99
Prepayments and accrued income	247	197
	<u>2,173</u>	<u>2,435</u>

### 15. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	891	949
Amounts owed to group undertakings	4,697	2,370
Other taxation and social security	-	51
Bank overdraft	-	69
Other creditors	1,029	848
	<u>6,617</u>	<u>4,287</u>

Timken UK entered into an agreement with Interlube Limited for two loans payable totalling £3.8m which have a maturity date of 25 October 2019 (£1m) and 12 December 2019 (£2.8m) with an interest rate of 0.729% (£1m) and 1.791% (£2.8m) p.a.

### 16. Financial Instruments

	2018	2017
	£'000	£'000
Financial Assets:		
Debt Instruments at amortised cost	1,926	2,238
	<u>1,926</u>	<u>2,238</u>
Financial liabilities:		
Measured at amortised cost	6,617	4,167
	<u>6,617</u>	<u>4,167</u>

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 17. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than one year	498	169	472	237
Later than one year but not later than five years	1,411	234	1,607	186
Later than five years	99	-	245	2
	<u>2,008</u>	<u>403</u>	<u>2,324</u>	<u>425</u>

### 18. Allotted and issued share capital

	2018	2017
	£	£
Allotted, called-up and fully paid		
Ordinary shares of £1	3,500,007	3,500,006

The company has one class of ordinary shares which have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption. On the 15 March 2018 one ordinary share of £1 was issued for the consideration of £2.15m.

### 19. Reserves

#### Share Premium Account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

#### Profit and loss account

Cumulative profit and loss net of distributions to owners.

### 20. Pensions

The Company operates a defined benefit (DB) pension scheme and a defined contribution pension scheme (DC).

In respect of the defined contribution pension scheme, the contributions payable by the Company charged to profit or loss amounted to £250,514 (2017: £243,169).

The DB section of the scheme is now closed to new entrants and was closed to future accrual from 1 July 2015, though active employees retain the link to future salary increases in their benefits. The last formal actuarial valuation of the scheme was complete as at 5 April 2017. The results of these calculations have been updated to 31 December 2018 by a qualified independent actuary. The present value of the defined benefit obligation, the current service cost and any past service costs were measured using the projected unit credit method. Actuarial gains and losses have been recognised in the period in which they occur through OCI.

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 20. Pensions (continued)

	2018	2017
	£'000	£'000
Scheme assets at fair value:		
Equities	10,736	18,784
Bonds	59,865	63,746
Others	111,360	117,300
<b>Fair value of scheme assets</b>	<b>181,961</b>	<b>199,830</b>
<b>Present value of funded defined benefit obligation</b>	<b>(177,596)</b>	<b>(190,452)</b>
Refund tax	(1,528)	(3,282)
<b>Pension Asset</b>	<b>2,837</b>	<b>6,096</b>

The amounts recognised in the Statement of Comprehensive Income are analysed as follows:

	2018	2017
	£'000	£'000
Recognised in the Profit and Loss Account :		
Administration expense	639	650
Past Service Costs	2,797	-
Losses on settlements and curtailments	169	-
Net interest on the defined benefit asset	(151)	(116)
Recognised in arriving at operating profit	<b>3,454</b>	<b>534</b>

	2018	2017
	£'000	£'000
Recognised in the other comprehensive income:		
Total actuarial (gains)/losses of	3,699	(3,289)
Refund tax relating to defined benefit pension asset	(1,755)	1,714
Actuarial losses/(gain), net of taxation	<b>1,944</b>	<b>(1,575)</b>

	2018	2017
	%	%
<b>Main assumptions</b>		
Discount Rate (% pa)	2.6	2.4
Rate of salary increases (% pa)	3.4	3.3
RPI Inflation (% pa)	3.4	3.3
CPI Inflation (% pa)	2.3	2.2
Pension increases: RPI, maximum 5%, minimum 0% (%pa)	3.3	3.3
Pension increases: 30% of RPI, maximum 1.5%, minimum 0% (% pa)	1.0	1.0
Male life expectancy:		
Retiring at age 65 now (years)	86.2	86.3
Retiring at ages 65 in 20 years (years)	87.6	87.7
Female life expectancy:		
Retiring at age 65 now (years)	88.1	88.2
Retiring at ages 65 in 20 years (years)	89.7	89.7

# Timken UK Limited

## Notes to the financial statements

For the year ended 31 December 2018

### 20. Pensions (continued)

#### Movements in the present value of the defined benefit obligations

	2018	2017
	£000	£000
Opening defined benefit liability	190,452	195,199
Interest cost	4,379	4,777
Actuarial gain on liability	(4,581)	1,612
Past Service costs	2,797	-
Settlements and curtailments	(3,392)	-
Benefits paid	(12,059)	(11,136)
<b>Closing defined benefit liability</b>	<b>177,596</b>	<b>190,452</b>

#### Movement in the fair value of plan assets

	2018	2017
	£000	£000
Opening fair value of assets	199,830	199,682
Interest income on assets	4,530	4,893
Company contributions	2,140	2,140
Actuarial (loss)/ gain	(8,280)	4,901
Benefits paid	(12,059)	(11,136)
Settlements and curtailments	(3,561)	-
Expenses paid	(639)	(650)
<b>Closing fair value of assets</b>	<b>181,961</b>	<b>199,830</b>

The company expects to pay annual contributions of £2.14m to the scheme, payable in March each year, beginning March 2016 which final payment due in March 2022.

### 21. Subsequent Events

On the 1<sup>st</sup> April 2019 Timken UK acquired Diamond Chains (UK) via share allotment. The value of the shares issued was £5.6m.

### 22. Related Parties

The Company did not enter into any related party transactions other than those with wholly owned fellow group entities which do not require disclosure under section 33 of FRS 102.

### 23. Ultimate Parent Company

The company's immediate and ultimate parent undertaking at 31 December 2018 is The Timken Company, a company incorporated in the USA. The results of Timken UK Limited are included in the consolidated results of the Timken Company and the consolidated financial statements are available from 1835 Dueber Avenue, S.W., PO Box 6927, Canton, Ohio 44-706-0927, USA.