TRELLEBORG

Stella-Meta Limited
Annual report and financial statements
for the period ended 31 December 2019

Registered number: 06414516

Stella-Meta Limited

Annual report and financial statements for the period ended 31 December 2019

Contents

Stella-Meta Limited

Strategic report
for the period ended 31 December 2019

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

Principal activities
The principal activity of the Company during the period was the assembly, installation and repair of water filtration plant.

Review of the business and future developments
The results for the period ended 31 December 2019 are set out on page 9 with the Company showing a profit before tax of £128k (year ended 31 October 2018: £49k). Turnover for the 14 month period to 31 December 2019 was £436k (year ended 31 October 2018: £240k). The total equity and retained earnings for the Company total £453k (2018: £324k).

During November 2018 the Company's immediate parent undertaking, Blue Diamond Technologies Limited, was acquired by Rolwey Group Holdings Limited. Rowley Group Holdings Limited was acquired by Tri-Tec Seal Inc during June 2019 and then subsequently by the Trelleborg Group during November 2019.

The financial performance of the Company for the period and its financial position at the end of the year is as expected, no change in the operations of the Company is expected in the coming year.

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, consumer demand, the price and availability of raw materials and the uncertainty surrounding the future business climate as a result of the UK's decision to leave the European Union.

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

COVID-19 has an ongoing impact on the Company and while the circumstances remain dynamic, the Company has taken and continues to take assertive, steady action to help ensure that its employees as well as its supply chain remain healthy and strong. The Company is part of the bigger Trelleborg Group which has a solid financial base, and which confirms continued access of the Company to its liquidities within the group cash pool. It is working with and continuing to 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. 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.

Stella-Meta Limited

Strategic report
for the period ended 31 December 2019

Financial risk management

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

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

At 31 December 2019 all of the Company's funding was provided via bank facilities and intercompany loans, however during 2020 funding has been brought into the Trelleborg facilities and is now provided via a cash pool facility from Trelleborg Treasury AB. Interest rate risk includes exposure to changes in the UK Base Rate as interest rates are variable.

The effects of credit risk are controlled as the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed by the Board. The Board 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).

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that other than those detailed in the review of the busines, analysis using other KPIs is not necessary for an understanding of the development, performance or position of the business.

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

Neil Davies
Neil Davies
Director
23 December 2020

Stella-Meta Limited

Directors' report
for the period ended 31 December 2019

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

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

Dividends
The directors do not recommend the payment of a dividend (year ended 31 October 2018: £nil).

Financial risk management
Financial risk management is described in the Strategic Report on pages 1 and 2.

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

Kent Bergenholtz	Appointed 18 Dec 2019
Neil Davies	Appointed 18 Dec 2019
Bo Haugsted	Appointed 18 Dec 2019
Paul Brain	Resigned 14 Jun 2019
Michael Doel	Resigned 14 Jun 2019
Ian Walters	Resigned 14 Jun 2019
James Worley	Resigned 14 Jun 2019
Michael Worley	Resigned 14 Jun 2019
Troy Angst	Appointed 14 Jun 2019 Resigned 18 Dec 2019
Marcus Pillion	Appointed 14 Jun 2019 Resigned 18 Dec 2019

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

Going concern
The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The directors believe that it is appropriate for the financial statements to be prepared on the going concern basis having received a letter of support from Trelleborg Holdings UK Limited, which indicates that it will continue to provide sufficient funds to enable the Company to meet all of its financial obligations as they fall due for the foreseeable future, a period of at least 12 months from the date of signing the financial statements. In making this assessment the directors have considered the ongoing impact on the Company of COVID-19, as noted in the Strategic report on page 1.

Important non-adjusting events after the reporting period
Other than as described in the strategic report in relation to COVID-19, there were no significant events between the Balance Sheet date and the date of signing the financial statements, affecting the Company, which require adjustment to or disclosure in the financial statements.

The pandemic is considered an event which is indicative of conditions that arose after the reporting period and as such no adjustments have been made in the financial statements as at 31 December 2019 due to the impact of the pandemic.

Directors' statement of responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Statement of disclosure of information to the auditor

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

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

Independent auditor

Hazlewoods were appointed as auditor during the period. A resolution to reappoint Hazlewoods 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
Neil Davies
Director
23 December 2020

Registered number: 06414516

Trelleborg Sealing Solutions UK Limited
International Drive
Tewkesbury Business Park
Tewkesbury
GL20 8UQ

Independent auditor's report to the members of Stella-Meta Limited

Qualified opinion

We have audited the financial statements of Stella- Meta Limited (the 'company') for the period ended 31 December 2019, which comprise the Statement of income and retained earnings, Balance sheet, 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, except for the effects of the matter described in the *Basis for qualified opinion on financial statements paragraph,* the financial statements:

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

Basis for qualified opinion on financial statements

We were not appointed as auditor of the company until after 31 October 2018 and thus did not observe the counting of physical inventories at the end of that year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities of £35k held at 31 October 2018 by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount at 31 October 2018 was necessary or whether there was any consequential effect on the cost of sales for the period ended 31 December 2019.

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 qualified opinion.

Other matter

The financial statements for the year ended 31 October 2018 were unaudited.

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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the company's trade, employees, customers, suppliers and the wider economy.

Other information

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

Independent auditor's report to the members of Stella-Meta Limited

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.

Opinion on other matter 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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's Report.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Stella-Meta Limited

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.

David Williams (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
Gloucestershire
GL51 0UX

23 December 2020

Stella-Meta Limited

Statement of income and retained earnings for the period ended 31 December 2019

	Note	**14 months ended 31 Dec 2019 £000**	12 months ended 31 Oct 2018 £000
Turnover	5	**436**	240
Cost of sales		**(238)**	(129)
Gross profit		**198**	111
Administrative expenses		**(73)**	(62)
Operating profit	6	**125**	49
Interest receivable and similar income	8	**3**	-
Profit before taxation		**128**	49
Tax on profit	9	**1**	(9)
Profit for the financial year attributable to the equity shareholder of the Company		**129**	40
Retained earnings at 1 November		**324**	284
Dividends paid		**-**	-
Retained earnings at 31 December (31 October)		**453**	324

All above operations arise from continuing activities.

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

The notes on pages 11 to 23 are an integral part of these financial statements.

Stella-Meta Limited

Balance sheet at 31 December 2019

	Note	**31 Dec 2019 £000**	**31 Dec 2019 £000**	31 Oct 2018 £000	31 Oct 2018 £000
Fixed assets					
Intangible assets	10		**-**		-
Tangible assets	11		**-**		3
			-		3
Current assets					
Stocks	12	**31**		35	
Debtors	13	**345**		73	
Cash at bank and in hand		**85**		269	
		461		377	
Creditors: amounts falling due within one year	14	**(8)**		(56)	
Net current assets			**453**		321
Total assets less current liabilities			**453**		324
Net assets			**453**		324
Capital and reserves					
Called up share capital	16		**-**		-
Profit and loss account	16		**453**		324
Shareholder's funds			**453**		324

The notes on pages 11 to 23 are an integral part of these financial statements.

The financial statements on pages 9 to 23 were authorised for issue by the board of directors on 23 December 2020 and were signed on its behalf by:

Neil Davies

Neil Davies
Director

Registered no. 06414516

1 General Information

Stella-Meta Limited ("the Company") supplies components to mechanical and general engineers.

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 Sealing Solutions UK Limited, International Drive, Tewkesbury Business Park, Tewkesbury, GL20 8UQ and its place of business is Rolwey House, School Close, Chandlers Ford, Eastleigh, Hampshire, SO53 4BY.

2 Statement of compliance

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

3 Summary of significant accounting policies

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

Basis of preparation

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The directors believe that it is appropriate for the financial statements to be prepared on the going concern basis having received a letter of support from Trelleborg Holdings UK Limited, which indicates that it will continue to provide sufficient funds to enable the Company to meet all of its financial obligations as they fall due for the foreseeable future, a period of at least 12 months from the date of signing the financial statements. In making this assessment the directors have considered the ongoing impact on the Company of COVID-19, as noted in the Strategic report on page 1.

Exemptions for qualifying entities under FRS102

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

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

3 Summary of significant accounting policies (continued)

- from disclosing the Company key management personnel compensation, as required by FRS102 paragraph 33.7.

The consolidated financial statements of Trelleborg AB (publ) can be obtained from the address given in note 20.

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)/income. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within Administrative expenses.

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.

Contracts and sales of services

Revenue recognition is conducted using the percentage of completion method. Revenue is recognised on the basis of the stage of completion whereby it is probable that the Company will obtain the financial benefits related to the assignment, and when a reliable calculation can be made. The stage of completion is determined on the basis of costs incurred in relation to total calculated costs. Anticipated losses are expensed immediately.

Employee benefits

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

3 Summary of significant accounting policies (continued)

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

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

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

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

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

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

Goodwill is amortised over its expected useful life. 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 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.

3 Summary of significant accounting policies (continued)

Research and development costs

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

Tangible assets

Tangible assets 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 to allocate cost to the assets' residual values over their estimated useful lives, as follows:

• Leasehold improvements	20% straight line
• Motor vehicles	25% reducing balance
• Plant and equipment	20% reducing balance
• Fixtures, fittings and office equipment	20% straight line
• Computer equipment	33 1/3% straight line

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.

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.

Leased assets

Operating leases

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

Lease incentives

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

Impairment of assets

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

Non-financial assets

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

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

3 Summary of significant accounting policies (continued)

Financial assets

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

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

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

Stocks

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

Provisions and contingencies

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

Financial instruments

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

Financial assets

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

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

3 Summary of significant accounting policies (continued)

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.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

Fair value measurement

The best evidence of fair value is a quoted price of an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Related party transactions

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

4 Critical accounting judgements and 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:

Key sources of estimation uncertainty

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

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

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. During the financial year the Company adopted the Group policy for stock provisioning. Under the previous accounting policy the provision would have been £nil versus the adopted new accounting policy of £3k.

5 Turnover

Analysis of turnover by geography:

	14 months ended 31 Dec 2019 £000	12 months ended 31 Oct 2018 £000
Europe	**31**	-
North America	**-**	9
Middle East	**2**	-
Rest of world	**7**	-
Total exports	**40**	9
United Kingdom	**396**	231
	436	240

6 Operating profit

Operating profit is stated after charging/(crediting):

	14 months ended 31 Dec 2019 £000	12 months ended 31 Oct 2018 £000
Loss on disposal of tangible assets	**1**	-
Depreciation	**-**	1
Impairment of stock included in cost of sales	**21**	2
Audit fees payable to the Company's auditor – auditing of the financial statements	**8**	-

7 Employees and employee benefits

(a) Employees

	14 months ended 31 Dec 2019 £000	12 months ended 31 Oct 2018 £000
Wages and salaries	**47**	38
Social security costs	**5**	4
Other pension costs	**4**	4
Staff costs	**56**	46

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

By activity	**14 months ended 31 Dec 2019 No.**	12 months ended 31 Oct 2018 No.
Other	**1**	1
Total employees	**1**	1

(b) Directors

None of the directors received any emoluments in connection with the management of the Company or otherwise in respect of their position as directors of the Company (2018: £nil).

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.

8 Net interest expense/income

Interest receivable and similar income	**14 months ended 31 Dec 2019 £000**	12 months ended 31 Oct 2018 £000
Interest receivable from group undertakings	**3**	-

9 Tax on profit

(a) Tax (income) included in profit or loss

	14 months ended 31 Dec 2019 £000	12 months ended 31 Oct 2018 £000
Current tax:		
UK Corporation tax on profits for the year	**-**	9
Total current tax	**-**	9
Deferred tax:		
Adjustment in respect of prior periods	**(1)**	-
Total deferred tax	**(1)**	-
Tax on profit	**(1)**	9

(b) Reconciliation of tax charge

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

	14 months ended 31 Dec 2019 £000	12 months ended 31 Oct 2018 £000
Profit before tax	**128**	49
Profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	**24**	9
Group relief not paid for	**(24)**	-
Adjustments to tax charge in respect of prior periods	**(1)**	-
Tax (credit) for the year	**(1)**	9

(c) Tax rate changes

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

9 Tax on profit (continued)

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

10 Intangible assets

	Goodwill £000
Cost	
At 1 November 2018 and at 31 December 2019	201
Accumulated amortisation and impairment	
At 1 November 2018 and at 31 December 2019	201
Net book amount at 31 December 2019 and 31 October 2018	-

Amortisation of intangible assets is recognised within administrative expenses.

11 Tangible fixed assets

	Leasehold property improvements £000	Fixtures fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 November 2018	34	12	22	68
Disposals	-	-	(22)	(22)
At 31 December 2019	34	12	-	46
Accumulated depreciation and impairment				
At 1 November 2018	34	12	19	65
Depreciation	-	-	-	-
Disposals	-	-	(19)	(19)
At 31 December 2019	34	12	-	46
Net book amount at 31 December 2019	-	-	-	-
Net book amount at 31 October 2018	-	-	3	3

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

12 Stocks

	31 Dec 2019 £000	31 Oct 2018 £000
Finished goods and goods for resale	**31**	35
	31	35

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

Stocks are stated after provisions for impairment of £3,000 (2018: £nil).

13 Debtors

	31 Dec 2019 £000	31 Oct 2018 £000
Trade debtors	**2**	68
Amounts owed by group undertakings	**337**	1
Deferred tax asset (note 15)	**1**	-
Other taxation and social security	**5**	-
Other debtors	**-**	1
Prepayments and accrued income	**-**	3
	345	73

Amounts owed by group undertakings include loans and trade balances. The loans do not attract interest and have no fixed date for repayment.

14 Creditors: amounts falling due within one year

	31 Dec 2019 £000	31 Oct 2018 £000
Trade creditors	-	25
Amounts owed to group undertakings	-	2
Corporation tax	-	9
Other taxation and social security	**4**	11
Other creditors	-	1
Accruals	**4**	8
	8	56

15 Deferred tax

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

	31 Dec 2019 £000	31 Oct 2018 £000
Accelerated capital allowances	**(1)**	-

The net deferred tax asset expected to reverse in 2020 is £1,000. This is primarily due to the reversal of timing differences on tangible fixed assets. The timing differences have no expiry dates.

There are no unused tax losses or unused tax credits.

16 Called up share capital and reserves

(a) Called up share capital

	No.	£000
Allotted and fully paid ordinary shares of £1each		
At 1 November 2018 and at 31 December 2019	**2**	-

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

There were no changes to share capital during the year.

16 Called up share capital and reserves (continued)

(b) Reserves

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

17 Capital and other commitments

The Company has no capital commitments as at 31 December 2019 and 31 October 2018.

The Company does not have any operating leases as at 31 December 2019 or 31 October 2018.

18 Related party transactions

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

During the period from 1 November 2018 to 14 June 2019, the company made sales and purchases with entities under common control of £41 (2018 - £1,615) and £1,085 (2018 - £15,825) respectively.

20 Controlling parties

The immediate parent undertaking is Blue Diamond Technologies Limited.

During the year the intermediate parent undertaking, Rolwey Group Holdings Limited, was acquired by Trelleborg Holdings UK Limited and 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.