TRELLEBORG

Trelleborg Offshore UK Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered number: 01369166

Trelleborg Offshore UK Limited

Annual report and financial statements for the year ended 31 December 2016

Contents

The directors present their strategic report on the Company for the year ended 31 December 2016.

Principal activities

The principal activity of the Company during the year was the design and manufacture of complex engineered solutions into the offshore oil, gas and marine sectors.

Review of the business

Company turnover showed a decrease of 21.5% on the previous year to £65,349k (2015: £83,251k) as a result of adverse market conditions. Gross profit margin decreased to 17.2% (2015: 23.8%). The combined impact of lower sales and lower margins resulted in the Company undertaking a redundancy exercise in the latter part of 2016. The exceptional costs of £1,010k (2015: £nil) recorded in the 2016 statement of income are the costs associated with this redundancy exercise and have been charged in the income statement as cost of sales and administrative expenses, as appropriate. Consequently, the company delivered a pre-exceptional profit for the financial year of £317k (2015: £7,047k), which represents a 96% decrease on the previous year and a post-exceptional loss for the financial year of (£693k).

The Company has total net assets of £66,413k (2015: £67,106k).

Future developments

The Company enters 2017 with a reduced forward order book and expects to see a further reduction in revenues in the coming year. The redundancy exercise in late 2016, leaves the company more appropriately sized for this reduction in activity levels, as challenging market conditions are expected to continue in the short term and improve in the medium term.

Non-financial risks

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

The key business risks and uncertainties affecting the Company are considered to relate to the project nature of our work in a market of volatile oil prices; competing technologies; and variable geographical demands for local manufacturing content. These risks are routinely reviewed by senior management, as part of the monthly management meeting cycle. In addition, where appropriate, local specialist advice is sought to ensure all risks associated with variable geographical demands have been considered and mitigated.

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.

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

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

The Board receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

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

Key performance indicators ("KPIs")

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

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

	2016	2015	Definition, method of calculation and analysis
(Reduction)/growth in turnover (%)	(21.5%)	15.8%	Year on year sales (reduction)/growth expressed as a percentage. This year's decrease is as a result of the cyclical nature of our oil and gas project based business.
Pre-exceptional return on turnover (%)	0.4%	10.7%	Pre-exceptional return on sales is the ratio of profit on ordinary activities before taxation to sales expressed as a percentage. Return on sales has decreased due to decreased revenues and margins in the year.
Working capital turn	7.6	8.8	Working capital turn is the ratio of sales to stocks plus trade debtors less trade creditors. Turn decreased as a result of lower sales.

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

JP Drury
Director

29 March 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

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 (2015: £nil).

Financial risk management

Financial risk management is described in the Strategic Report on page 1.

Directors

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

JP Drury	
TH Eriksen	
F Meuller	
HC Torstensson	Appointed 25 October 2016
LE Olsson	Resigned 22 September 2016

Directors indemnities

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

Disabled employees

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

Employee consultation

The Company maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Employees are encouraged to discuss with management any matters about which they are concerned and factors affecting the Company. In addition, the board takes account of employees' interests when making decisions. Suggestions from employees aimed at improving the Company's performance are welcomed.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they

Statement of directors' responsibilities (continued)

give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

JP Drury
Director

29 March 2017

Registered number: 01369166

Trelleborg
International Drive
Tewkesbury
Gloucestershire
GL20 8UQ

Report on the financial statements

Our opinion

In our opinion, Trelleborg Offshore UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the statement of income and retained earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Kate Finn

Kate Finn (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
29 March 2017

Trelleborg Offshore UK Limited

Statement of income and retained earnings
for the year ended 31 December 2016

	Note	**2016 £000**	2015 £000
Turnover	5	**65,349**	83,251
Cost of sales		**(53,411)**	(63,412)
Exceptional cost of sales	6	**(671)**	-
Total cost of sales		**(54,082)**	(63,412)
Gross profit		**11,267**	19,839
Distribution costs		**(498)**	(722)
Administrative expenses		**(11,254)**	(10,289)
Exceptional administrative expenses	6	**(339)**	-
Total administrative expenses		**(11,593)**	(10,289)
Operating (loss)/profit	7	**(824)**	8,828
Interest receivable and similar income	9	**52**	95
Interest payable and similar charges	9	**(3)**	(2)
Net interest income	9	**49**	93
(Loss)/profit on ordinary activities before taxation		**(775)**	8,921
Tax on (loss)/profit on ordinary activities	10	**82**	(1,874)
(Loss)/profit for the financial year		**(693)**	7,047
Retained profits at 1 January		**66,331**	59,284
Retained profits at 31 December		**65,638**	66,331

Trelleborg Offshore UK Limited

Balance sheet at 31 December 2016

	Note	**2016 £000**	**2016 £000**	2015 £000	2015 £000
Fixed assets					
Intangible assets	11		**373**		486
Tangible assets	12		**13,912**		13,646
Investments	13		**49**		49
			14,334		14,181
Current assets					
Inventories	14	**9,524**		9,995	
Debtors	15	**61,335**		70,052	
Cash at bank and in hand		**1**		2	
		70,860		80,049	
Creditors: amounts falling due within one year	16	**(18,711)**		(27,022)	
Net current assets			**52,149**		53,027
Total assets less current liabilities			**66,483**		67,208
Creditors: amounts falling due after more than one year	17		**(70)**		(102)
Net assets			**66,413**		67,106
Capital and reserves					
Called up share capital	20		**42**		42
Share premium account	20		**732**		732
Other reserves	20		**1**		1
Retained earnings			**65,638**		66,331
Total equity			**66,413**		67,106

The notes on pages 9 to 24 are an integral part of these financial statements.

The financial statements on pages 7 to 24 were authorised for issue by the board of directors on 29 March 2017 and were signed on its behalf by:

JP Drury
Director

Registered no. 01369166

1 General Information

Trelleborg Offshore UK Limited ("the Company") is a designer and manufacturer of complex engineered solutions into the offshore oil, gas and marine sectors.

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Trelleborg, International Drive, Tewkesbury, Gloucestershire, GL20 8UQ.

2 Statement of compliance

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

3 Summary of significant accounting policies

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

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, 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

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions on the basis that the information is included in the consolidated financial statements of the Company's ultimate parent undertaking, Trelleborg AB (publ), a company registered in Sweden:

- from preparing a statement of cash flows;
- from the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and the paragraphs 12.26 to 12.29; and
- from disclosing the Company key management personnel compensation, as required by FRS102 paragraph 33.7.

The Company has also taken advantage of the exemption in accordance with s400 of the Companies Act 2006 and has not prepared consolidated financial statements on the basis that the results of the

Summary of significant accounting policies (continued)

Company and its subsidiaries are consolidated into the results of Trelleborg AB (publ).

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

Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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 'finance (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 from the sale of goods is recognised during the period in which the product is delivered and when the significant risks and rewards of ownership of the goods have 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.

Summary of significant accounting policies (continued)

Interest income
Interest income is recognised using the effective interest rate method.

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

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

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

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities 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 of 10 years. Goodwill is assessed for impairment when

Summary of significant accounting policies (continued)

there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

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

- Software 15% - 20%
- Intellectual property 10%

Amortisation is charged to cost of sales in the profit and loss account.

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

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

- Freehold land and buildings 2% - 33%
- Plant and machinery 15% - 20%

Land is not depreciated.

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

Assets in the course of construction included in plant and machinery with a value of £1,705,000 are stated at cost. These assets are not depreciated until available for use.

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

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.

Impairment of assets
At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated

Summary of significant accounting policies (continued)

recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account.

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

Investment in subsidiaries
Investments in subsidiary companies are held at cost less accumulated impairment losses.

Inventories
Inventories are stated at the lower of cost, using the first in first out method, and net realisable value. For finished products and work in progress, cost consists of raw materials, direct personnel costs, other direct costs and related indirect production costs. Normal capacity utilisation is used in the measurement of inventories.

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

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

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

Financial liabilities
Basic financial liabilities, including trade and other payables, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit or loss in administrative expenses.

Related party transactions
The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4 Critical accounting judgements and estimation uncertainty

Company management and the board of directors make estimates and assumptions about the future. These estimates and assumptions impact recognised assets and liabilities, as well as revenue and

Critical accounting judgements and estimation uncertainty (continued)

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. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within financial year include:

- Tangible and intangible assets are recognised at cost, less accumulated depreciation, amortisation and any impairments. Amortisation and depreciation take place over the estimated useful life, down to the assessed residual value. The carrying amount of the company's fixed assets is tested as soon as changed conditions show that a need for impairment has arisen.
- The cost of inventory and associated provisioning are considered regularly. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

5 Turnover

Analysis of turnover by geography:

	2016 £000	2015 £000
Europe	**25,929**	33,533
North America	**1,728**	3,938
Middle East	**1,149**	672
Rest of world	**12,697**	13,891
Total exports	**41,503**	52,034
United Kingdom	**23,846**	31,217
	65,349	83,251

All turnover (2015: all turnover) is generated from the sale of goods.

6 Exceptional items

During the year, actions took place to bring the fixed costs of the business into line with the anticipated activity levels. The exceptional costs of £1,010k (2015: £nil) recorded in the 2016 statement of income are the costs associated with this redundancy exercise and have been charged in the income statement as cost of sales and administrative expenses, as appropriate

7 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2016 £000	2015 £000
Inventory recognised as an expense	**35,721**	48,683
Impairment of inventory included in cost of sales	**491**	268
Operating lease charges	**162**	177
Depreciation	**734**	668
Amortisation	**113**	176
Foreign exchange losses	**1,171**	32
Audit fees payable to the Company's auditor – audit services	**48**	46
Exceptional items (note 6)	**1,010**	-

8 Employees and employee benefits

(a) Employees

	2016 £000	2015 £000
Wages and salaries	**16,839**	17,162
Social security costs	**1,659**	1,646
Other pension costs	**402**	386
Staff costs	**18,900**	19,194

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

By activity	2016 Number	2015 Number
Production	**289**	309
Selling and administration	**101**	113
	390	422

Employees and employee benefits (Continued)

(b) Directors

The directors' emoluments were as follows:

	2016 £000	2015 £000
Aggregate emoluments	**171**	144
Company contributions to money purchase pension schemes	**26**	50

Retirement benefits are accruing to 1 (2015: 1) director under money purchase schemes.

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

The other directors did not receive any emoluments in respect of their services to the company (2015: £nil).

9 Net interest income

Interest receivable and similar income	**2016 £000**	2015 £000
Interest receivable from group undertakings	**52**	95
Interest payable and similar charges		
Interest payable to group undertakings	**(3)**	(2)
Net interest income	**49**	93

10 Tax on (loss)/profit on ordinary activities

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

	2016 £000	2015 £000
Current tax:		
UK Corporation tax on (loss)/profit for the year	**(129)**	1,747
Adjustments in respect of prior periods	**(61)**	34
Total current tax	**(190)**	1,781
Deferred tax:		
Origination and reversal of timing differences	**75**	127
Adjustments in respect of prior periods	**33**	(34)
Total deferred tax	**108**	93
Tax on (loss)/profit on ordinary activities	**(82)**	1,874

Tax on (loss)/profit on ordinary activities (continued)

(b) Reconciliation of tax charge

Tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
(Loss)/profit on ordinary activities before taxation	**(775)**	8,921
(Loss)/profit multiplied by the standard rate of tax in the UK of 20% (2015: 20.25%)	**(155)**	1,807
Expenses not deductible for tax purposes	**78**	67
Adjustments in respect of prior periods	**(28)**	-
Re-measurement of deferred tax – change in UK tax rate	**23**	-
Tax charge for the year	**(82)**	1,874

(c) Tax rate changes

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 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.

11 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2016 and 31 December 2016	2,113	256	2,369
Accumulated amortisation and impairment			
At 1 January 2016	1,645	238	1,883
Amortisation	105	8	113
At 31 December 2016	1,750	246	1,996
Net book amount at 31 December 2016	**363**	**10**	**373**
Net book amount at 31 December 2015	468	18	486

Amortisation of intangible assets is recognised within administrative expenses.

12 Tangible assets

	Freehold Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2016	11,285	10,906	22,191
Additions	-	1,034	1,034
Disposals	-	(371)	(371)
At 31 December 2016	11,285	11,569	22,854
Accumulated depreciation and impairment			
At 1 January 2016	2,456	6,089	8,545
Depreciation	205	529	734
Disposals	-	(337)	(337)
At 31 December 2016	2,661	6,281	8,942
Net book amount at 31 December 2016	**8,624**	**5,288**	**13,912**
Net book amount at 31 December 2015	8,829	4,817	13,646

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

Tangible assets (continued)

Included in freehold land and buildings is freehold land of £1,445,000 (2015: £1,445,000) which is not depreciated.

Assets in the course of construction of £1,705,000 (2015: £2,249,000) have been included in plant and machinery. These assets are not depreciated until available for use.

13 Investments

	2016 £000
Cost and net book value at 1 January and 31 December	**49**

The directors believe that the carrying value of investments in subsidiaries is supported by their underlying net assets or trading.

Details of the investments in subsidiary undertakings are as follows:

Name of subsidiary	Country of incorporation	Type and percentage of shares held	Nature of business
Trelleborg Angola Limitada	Republic of Angola	99% of total quota 8,000,000 Angolan Kwanza	Sale of composite components

The address of the registered office for the subsidiary undertaking is DLH-8, Kwanda Base, Municipio do Soyo, Angola.

14 Inventories

	2016 £000	2015 £000
Raw materials	**2,864**	3,405
Work in progress	**912**	2,737
Finished goods and goods for resale	**5,748**	3,853
	9,524	9,995

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

Inventories are stated after provisions for impairment of £561,000 (2015: £426,000).

15 Debtors

	2016 £000	2015 £000
Trade debtors	**7,724**	11,298
Amounts owed by group undertakings	**46,443**	47,544
Deferred tax asset (see note 18)	**189**	297
Amount recoverable on contracts	**6,018**	9,426
Prepayments and accrued income	**961**	1,487
	61,335	70,052

The Company operates its bank accounts within a group cashpool facility operated by a fellow subsidiary. These balances attract interest based on UK Base rate and are included within amounts owed by group undertakings falling due within one year. Amounts owed by group undertakings also includes loans and trade balances. The loans attract interest based on LIBOR and are unsecured and repayable on demand as there is no fixed term for repayment.

16 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Payments received on account	**3,592**	3,833
Trade creditors	**8,649**	11,812
Amounts owed to group undertakings	**1,217**	2,554
Corporation tax	**1,494**	3,257
Other taxation and social security	**524**	474
Derivative financial instruments (see note 19)	**352**	82
Accruals and deferred income	**2,883**	5,010
	18,711	27,022

The Company operates its bank accounts within a group cashpool facility operated by a fellow subsidiary. These balances attract interest based on UK Base rate, are unsecured, repayable on demand and are included within amounts owed to group undertakings falling due within one year. Amounts owed to group undertakings also include trade balances.

17 *Creditors: amounts falling due after more than one year*

	2016 £000	2015 £000
Accruals and deferred income	**70**	102

18 Deferred tax

Deferred tax consists of the following deferred tax assets:

	2016 £000	2015 £000
Decelerated capital allowances	**107**	260
Derivative financial liabilities	**68**	16
Other timing differences	**14**	21
Total deferred tax asset	**189**	297

The net deferred tax asset expected to reverse in 2017 is £165,000. This is primarily due to the reversal of timing differences on tangible fixed assets and derivative financial liabilities.

There are no unused tax losses or unused tax credits.

19 Financial instruments

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

	2016 £000	2015 £000
Financial (liabilities)/assets at 1 January (see note 16)	**(82)**	2
Changes in value dealt with in the statement of income and retained earnings	**(270)**	(84)
Financial liabilities at 31 December (see note 16)	**(352)**	(82)

The forward foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. All outstanding contracts mature within 6 months of the year end.

20 Called up share capital and reserves

(a) Called up share capital

	Number	£000
Allotted and fully paid ordinary shares of £1 each		
At 1 January 2016 and at 31 December 2016	**42,000**	**42**

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

There were no changes to share capital during the year.

(b) Reserves

Share premium account – This reserve records the amount above the nominal value received for shares sold. The share premium account cannot be distributed under the Companies Act 2006.

Other reserves relates to the capital redemption reserve.

21 Contingent liabilities

The Company has contingent liabilities, in respect of bank and other guarantees and other matters arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise. The maximum guarantee at 31 December 2016 was £7,000,000 (2015: £7,000,000).

22 Capital and other commitments

At 31 December the Company had the following capital commitments:

	2016 £000	2015 £000
Contracts for future capital expenditure not provided in the financial statements – property, plant and equipment	**9**	304

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

Capital and other commitments (continued)

	2016 £000	2015 £000
Payments due:		
Not later than one year	**150**	259
Later than one year and not later than five years	**138**	175
	288	434

23 Related party transactions

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

24 Controlling parties

The immediate parent undertaking is CRP 1998 Limited.

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