REGISTERED NUMBER: 02818078 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2018

for

Lear Corporation (UK) Limited

Contents of the Financial Statements
for the Year Ended 31 December 2018

Company Information
for the Year Ended 31 December 2018

DIRECTORS:	M Henningsen I Hickman
SECRETARY:	TMF Corporate Administration Services Ltd
REGISTERED OFFICE:	C/O TMF Corporate Administration 5th Floor, 6 St Andrew Street London EC4A 3AE
REGISTERED NUMBER:	02818078 (England and Wales)
INDEPENDENT AUDITORS:	Ernst & Young LLP Statutory Auditor No 1 Colmore Square Birmingham B4 6HQ

Strategic Report
for the Year Ended 31 December 2018

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

REVIEW OF BUSINESS
The principal activity of the company is the manufacture of automotive interior components for the motor industry. On 1 November 2018, the engineering, research and development activity transferred to Lear Corporation Engineering (UK) Limited.

The company's key performance indicators are turnover, gross margin, and employee headcount.

Turnover continues to grow year on year, with an increase of £7,736,000 on the prior year due to the success of new product launches and increased demand from the automotive market.

Gross margin decreased to 19.9% (2017: 21.7%) reflecting a changing product mix year on year. The 2018 gross margin performance did not include the favourable Jaguar Landrover launch content realised in 2017.

Administration and other expenses of £131,109,000, compared to £109,695,000 in 2017. This reflects movements in engineering, tooling, prototype expenses, royalty and agency costs incurred by the business. Further, in the current year, the company incurred engineering research and development costs, in relation to various programs for current and future years which were not reimbursed by the customer or related parties.

Lear Corporation (UK) Limited saw an 4% increase in employee numbers, a reflection of the increased volume and engineering / design work fulfilled during the year.

The 2019 outlook is positive but volumes are expected to decline in line with current automotive market trends.

The Inventory reduction to £13,227,000 (2017 £18,674,000) reflect the level of volume and the array of seat derivatives required to meet customer demand, whilst the level in trade debtors to £134,849,000 (2017 £150,222,000) reflects the sales timing of quarter 4, with overdue debts being maintained at very minimal levels.

RESULTS FOR THE YEAR
The company recorded profit on ordinary activities before tax of £41,556,000 (2017: £62,559,000), whilst profit after tax for the year was £38,403,000 (2017: £53,035,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The company manages competitive trading risk by providing value-added services and products to its customers, with a focus on quality and value-for-money, and through maintaining strong relationships with its customers.

The company collaborates with suppliers (and customers) to identify and realise production and design efficiencies wherever possible to minimise risk.

The company's transactions are predominantly in Sterling but with exposure to other currencies, in particular the Euro. The company matches its sales and purchase exposure where possible.

The company is exposed to raw material price fluctuations, in particular steel and plastics, but co-ordinates with its parent company to ensure exposure is managed appropriately.

The company holds no significant long-term third party debt, and is financed by loans and equity from its ultimate parent and through retained earnings.

With regard to financial instruments risk, 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. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business level. The company currently does not have any exposure to interest bearing liabilities and limited exposure to foreign exchange, therefore no financial instruments have been taken out to manage the risk associated in this area.

ON BEHALF OF THE BOARD:

....
I Hickman - Director

Date: 31 MAY 2019

Report of the Directors
for the Year Ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

DIVIDENDS
An interim dividend for 2018 of £70,000,000 was paid within the year (2017:£nil). The directors intend to recommend the payment of a final dividend during 2019 in an aggregate amount of £20,000,000 in respect of the financial year (2017: Final dividend of £nil).

FUTURE DEVELOPMENTS
Alongside fellow Lear Corporation subsidiaries the business continues to work closely with key customers to develop new products and redesign existing products to ensure the company maintains its competitive edge from both a cost and technological viewpoint. Future engineering, research and development activities are to be conducted by Lear Corporation Engineering (UK) Limited.

DIRECTORS
M Henningsen has held office during the whole of the period from 1 January 2018 to the date of this report.

Other changes in directors holding office are as follows:

I Hickman was appointed as a director after 31 December 2018 but prior to the date of this report.

RC Hooper ceased to be a director after 31 December 2018 but prior to the date of this report.

Lear Corporation, the group in which the results of the company are consolidated, provides directors and officers liability insurance to one or more of Lear Corporation (UK) Limited directors against liability in respect of proceedings brought by third parties. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

GOING CONCERN
The directors of the company have considered the expected revenue arising from sales to customers and the company's ongoing operational expenditure together with any other required expenditure and the resultant cash flows. In doing this, the directors have considered how they can minimise costs and maximise revenues and actions that would be required to affect these. They have considered the impact of changes in forecast volumes from key customers, and the level of support they might require from intermediate parent companies. As part of a large group, if required support could be sought from parent companies, but management have not deemed this to be required. Based on the plans that are in place, they have concluded that sufficient funds will be available to the company for a period of not less than twelve months from the date of approval of the financial statements.

As a result, the company's directors have concluded that it is appropriate that these financial statements are prepared and presented using the going concern principle.

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

HEALTH AND SAFETY AT WORK
It is the company's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of employees, customers and members of the public.

EMPLOYEE CONSULTATION
The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through a combination of formal and informal meetings.

RESEARCH AND DEVELOPMENT
The activities of the company in the field of research and development are to design automotive interior components for the motor industry.These activities are to generate future economic benefit for the company.

FINANCIAL INSTRUMENTS
Details of financial instruments are provided in the Strategic Report.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no relevant audit information of which the auditors are unaware, being information needed by the auditors in connection with preparing their report; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditors of the company.

ON BEHALF OF THE BOARD:

....
I Hickman - Director

Date: ....31.....May.....2019.........

Statement of Directors' Responsibilities
for the Year Ended 31 December 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Opinion
We have audited the financial statements of Lear Corporation UK Limited for the year ended 31 December 2018 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 21, 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 profit 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.

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 Auditors' 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 Strategic Report, the Report of the Directors and the statement of Directors' Responsibilities 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 or the Report of the Directors.

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 six, 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 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.

Auditors' 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 a Report of the Auditors 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 Report of the Auditors.

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.

Ernst & Young LLP

Nigel Meredith (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Birmingham

Date: 31 May 2019

Income Statement
for the Year Ended 31 December 2018

	Notes	31.12.18 £'000	£'000	31.12.17 £'000	£'000
TURNOVER	3		768,675		760,939
Cost of sales			615,630		596,024
GROSS PROFIT			153,045		164,915
Administrative expenses			131,109		109,695
OPERATING PROFIT	6		21,936		55,220
Income from shares in group undertakings		19,284		7,093	
Interest receivable and similar income	7	336		246	
			19,620		7,339
PROFIT BEFORE TAXATION			41,556		62,559
Tax on profit	8		3,153		9,524
PROFIT FOR THE FINANCIAL YEAR			38,403		53,035

The notes form part of these financial statements

Statement of Other Comprehensive Income
for the Year Ended 31 December 2018

	Notes	31.12.18 £'000	31.12.17 £'000
PROFIT FOR THE YEAR		38,403	53,035
OTHER COMPREHENSIVE INCOME			
Remeasurement of defined benefit scheme		(43)	(193)
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(43)	(193)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		38,360	52,842

The notes form part of these financial statements

Statement of Financial Position
31 December 2018

	Notes	31.12.18 £'000	31.12.17 £'000
FIXED ASSETS			
Tangible assets	10	20,761	25,430
Investments	11	13,808	13,808
		34,569	39,238
CURRENT ASSETS			
Stocks	12	13,227	18,674
Debtors	13	169,374	184,709
Cash at bank and in hand		29,748	58,480
		212,349	261,863
CREDITORS			
Amounts falling due within one year	14	(189,148)	(211,659)
NET CURRENT ASSETS		23,201	50,204
TOTAL ASSETS LESS CURRENT LIABILITIES		57,770	89,442
CREDITORS			
Amounts falling due after more than one year	15	(172)	(204)
NET ASSETS		57,598	89,238
CAPITAL AND RESERVES			
Called up share capital	16	32,497	32,497
Merger reserve	17	3,383	3,383
Retained earnings	17	21,718	53,358
SHAREHOLDERS' FUNDS		57,598	89,238

The financial statements were approved by the Board of Directors on 31 MAY 2019 and were signed on its behalf by:

....
I Hickman - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Merger reserve £'000	Total equity £'000
Balance at 1 January 2017	32,497	45,516	3,383	81,396
Changes in equity				
Dividends	-	(45,000)	-	(45,000)
Total comprehensive income	-	52,842	-	52,842
Balance at 31 December 2017	32,497	53,358	3,383	89,238
Changes in equity				
Dividends	-	(70,000)	-	(70,000)
Total comprehensive income	-	38,360	-	38,360
Balance at 31 December 2018	32,497	21,718	3,383	57,598

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

Lear Corporation (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Statement of compliance
Lear Corporation (UK) Limited is a limited liability company incorporated in England and Wales. The registered office is 5th Floor, 6 St Andrews Street, London, EC4A 3AE. These financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

Basis of preparing the financial statements
The financial statements are prepared in sterling which is the functional currency of Lear Corporation (UK) Limited and rounded to the nearest £'000. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.

Transitional relief
Transitional relief from the requirements of 20.15A and 20.25A within Section 20 of FRS102 regarding lease incentives has been taken. Any residual benefit or cost associated with these lease incentives will continue to be recognised on the same basis as that applied at the date of transition to FRS102.

Preparation of consolidated financial statements
Consolidated accounts have not been prepared as the company qualifies for the exemption under Section 400 of the Companies Act 2006 on the grounds that the company and its subsidiaries are included in the consolidated accounts of Lear Corporation.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over it's estimated useful economic life.

Freehold land	- Held at cost - not depreciated
Freehold buildings	- Straight line over 50 years
Leasehold buildings	- The shorter of the lease term and straight line over 50 years
Plant and machinery	- Straight line under 15 years

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

If an impairment loss subsequently reverses, the carry 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. A reversal of an impairment loss is recognised immediately in profit or loss.

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2. **ACCOUNTING POLICIES - continued**

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 - purchase cost on a first-in, first-out basis.
- Finished goods - cost includes material, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving and defective items where appropriate.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development
Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. Certain research and development expenditure is recharged to fellow group undertakings and the revenue is recognised when the recharges are agreed.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Leases
Rentals under operating leases are charged on a straight-line basis even if the payments are not made on this basis.

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2. **ACCOUNTING POLICIES - continued**

Pension costs
The company operates a number of pension schemes for the benefit of its employees. All assets of these schemes are held in separately administered funds. For defined contribution schemes, the amount charged to the income statement in respect of pension costs is the contributions payable in the year.

The cost of providing benefits under the defined benefit plans is determined separately for each plan 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 asset by the discount rate, at the start of the period taking into account any changes in the net defined benefit asset 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 net defined benefit pension asset or liability in the balance sheet comprises the total for each 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. If the present value of the defined benefit obligation at the reporting date is less than the fair value of the scheme assets at that date, the plan has a surplus. The entity only recognises a plan surplus as a defined benefit asset to the extent that it is able to recover the surplus through reduced contributions in the future or through refunds from the plan. Any plan surplus where there is uncertainty over its recoverability is restricted to nil.

Tooling and engineering costs
The company incurs both tooling and engineering costs during the life of a production model on behalf of their customer. These are reimbursed by the customer on either a lump sum basis or at an agreed recovery rate per production unit which is explicitly agreed with the customer. As costs are incurred they are recognised as Other Debtors. Any gains are recognised over the project life whereas losses are recognised as they are incurred.

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. 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 at the point the vehicle leaves the customer assembly line.

Investment
Fixed asset investments are shown at cost less provision for impairment.

Government grants
Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

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3. TURNOVER

Turnover and profit on ordinary activities before taxation are almost wholly derived from the company's principal activity undertaken entirely in the United Kingdom and to customers located in the United Kingdom.

4. EMPLOYEES AND DIRECTORS

	31.12.18	31.12.17
	£'000	£'000
Wages and salaries	58,960	57,411
Social security costs	6,181	6,476
Other pension costs	1,981	2,065
	67,122	65,952

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

	31.12.18	31.12.17
Manufacturing and development	1,507	1,443
Selling and administration	74	79
	1,581	1,522

Other pension costs comprise:

	31.12.18	31.12.17
	£'000	£'000
Past service cost	149	-
Total defined benefit scheme cost	149	-
Defined contribution schemes	1,832	2,062
	1,981	2,062

The detail of the amount recognised for pension in the Income Statement is shown in Note 21.

5. DIRECTORS' EMOLUMENTS

Directors' emoluments have been borne by a fellow group company. The directors of the company are also directors or officers of a number of other companies within the Lear Group as well as fulfilling group management roles. The allocation of the remuneration in respect of qualifying services as directors of this company is inconsequential.

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6. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.18 £'000	31.12.17 £'000
Operating lease rentals		
- plant and machinery	895	939
- land and buildings	3,175	3,729
Depreciation - owned assets	6,206	5,474
Loss on disposal of fixed assets	192	196
Auditors' remuneration	193	180
Auditors' remuneration for non audit work	53	17

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.18 £'000	31.12.17 £'000
Deposit account interest	334	243
Net interest on defined benefit pension surplus	2	3
	336	246

The detail of the amount recognised for pension in the Income Statement is shown in Note 21.

8. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	31.12.18 £'000	31.12.17 £'000
Current tax:		
UK corporation tax	3,866	10,274
Prior year adjustments	(883)	(490)
Total current tax	2,983	9,784
Deferred tax	170	(260)
Tax on profit	3,153	9,524

UK corporation tax has been charged at 19% (2017 - 19.25%).

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8. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.18	31.12.17
	£'000	£'000
Profit before tax	41,556	62,559
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	7,896	12,043
Effects of:		
Expenses not deductible for tax purposes	53	58
Adjustment in respect of prior years	(883)	(490)
Impact of patent box deduction	(635)	(1,915)
Deferred tax rate change movements	23	10
Deferred tax prior period adjustments	364	(181)
Other	(1)	(1)
Non taxable income	(3,664)	-
Total tax charge	3,153	9,524

Tax effects relating to effects of other comprehensive income

		31.12.18	
	Gross	Tax	Net
	£'000	£'000	£'000
Remeasurement of defined benefit scheme	(43)	-	(43)

		31.12.17	
	Gross	Tax	Net
	£'000	£'000	£'000
Remeasurement of defined benefit scheme	(193)	-	(193)

continued...

8. **TAXATION - continued**

Factors that may affect future tax charges
The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 19%. The standard rate will fall further to 17% with effect from 1 April 2020. The reduction to 17% had been enacted as at 31 December 2017 and has therefore been included in these accounts. No further rate reductions have been announced.

Deferred taxation
Deferred taxation assets provided in the financial statements are as follows:

	Provided	
	31.12.18	31.12.17
	£000	£000
Decelerated capital allowances	(408)	(547)
Other timing differences	(52)	(83)
	(460)	(630)

The directors have reviewed the forecasts and projections for the company relating to the deferred tax asset recognised and have concluded that taxable profits will be earned in the foreseeable future, such that the decelerated capital allowances to which the asset relate will be utilised. There is no unprovided deferred tax.

Reconciliation of movement in deferred taxation

	31.12.18	31.12.17
	£000	£000
At beginning of year	(630)	(370)
Movements in timing differences	170	(260)
At end of year (See note 13)	(460)	(630)

9. **DIVIDENDS**

	31.12.18	31.12.17
	£'000	£'000
Ordinary shares of £1 each		
Final	-	45,000
Interim	70,000	-
	70,000	45,000

Interim dividends of £2.154 per share were distributed for 2018 and paid in 2018. Final dividend of £45,000,000 was distributed for 2016 and paid in 2017. The directors intend to recommend the payment of a final dividend in an aggregate amount of £20,000,000 in respect of the financial year.

continued...

10. TANGIBLE FIXED ASSETS

	Freehold land & buildings £'000	Leasehold buildings £'000	Plant and machinery £'000	Totals £'000
COST				
At 1 January 2018	369	4,035	43,508	47,912
Additions	-	2	1,919	1,921
Disposals	-	(17)	(1,283)	(1,300)
Transfers from / (to) group companies	-	-	(610)	(610)
At 31 December 2018	369	4,020	43,534	47,923
DEPRECIATION				
At 1 January 2018	320	1,208	20,954	22,482
Charge for year	28	319	5,859	6,206
Eliminated on disposal	-	(5)	(1,103)	(1,108)
Transfers from / (to) group companies	-	-	(418)	(418)
At 31 December 2018	348	1,522	25,292	27,162
NET BOOK VALUE				
At 31 December 2018	21	2,498	18,242	20,761
At 31 December 2017	49	2,827	22,554	25,430

11. FIXED ASSET INVESTMENTS

	Fixed Asset Investments £'000
COST	
At 1 January 2018 and 31 December 2018	13,808
NET BOOK VALUE	
At 31 December 2018	13,808
At 31 December 2017	13,808

The company's subsidiary undertaking at 31 December 2018, which was incorporated in England and Wales, is set out below along with its principal activities.

Names of undertaking	Principal activity	% of shares held
Tacle Seating UK Limited	Manufacture of seating for the motor industry	100%

The registered address of Tacle Seating UK Limited is C/O TMF Corporate Administration, 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

continued...

12. STOCKS

	31.12.18	31.12.17
	£'000	£'000
Raw materials	11,294	16,473
Finished goods	1,933	2,201
	13,227	18,674

In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

13. DEBTORS

	31.12.18	31.12.17
	£'000	£'000
Trade debtors	134,849	150,222
Amounts owed by group undertakings	6,504	8,845
Amounts owed by subsidiary undertakings	1,891	4,041
Other debtors	16,895	16,831
Corporation tax recoverable	5,110	-
Deferred tax asset	460	630
Prepayments and accrued income	3,665	4,140
	169,374	184,709

Deferred tax amount mentioned above falling due after more than one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.18	31.12.17
	£'000	£'000
Trade creditors	77,653	104,643
Amounts owed to group undertakings	42,680	43,985
Amounts owed to subsidiary undertakings	118	140
Corporation tax payable	-	1,492
Social security and other taxes	11,777	12,113
Accruals and deferred income	56,920	49,286
	189,148	211,659

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.18	31.12.17
	£'000	£'000
Deferred government grants	172	204

16. CALLED UP SHARE CAPITAL

Authorised, allotted, issued, called-up and fully paid:

Number:	Class:	Nominal value:	31.12.18	31.12.17
			£'000	£'000
32,497,088	Ordinary	£1	32,497	32,497

continued...

17. RESERVES

	Retained earnings £'000	Merger reserve £'000	Totals £'000
At 1 January 2018	53,358	3,383	56,741
Profit for the year	38,403	-	38,403
Dividends	(70,000)	-	(70,000)
Other comprehensive income	(43)	-	(43)
At 31 December 2018	21,718	3,383	25,101

18. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Lear Corporation UK Holdings Limited, a company registered in England and Wales.

Lear Corporation UK Holdings Limited's immediate parent undertaking is Lear (Luxembourg) S.a.r.l, a company registered in Luxembourg.

The ultimate controlling parent company is Lear Corporation, a company incorporated in the State of Delaware, United States of America. The financial statements of this company are available from Lear Corporation, 21557 Telegraph Road, Southfield, Michigan, 48034, USA.The consolidated accounts of these groups are available to the public and may be obtained from the above address.

19. OTHER FINANCIAL COMMITMENTS

a) Capital commitments
Amounts contracted for but not provided in the financial statements amounted to £nil (2017: £nil).

b) Lease commitments
At 31 December, the company had total future minimum lease payments under non-cancellable operating leases as follows:-

	31.12.18		31.12.17	
	Property £000	Other £000	Property £000	Other £000
- not later than 1 year	2,369	581	2,758	553
- later than 1 year and not later than 5 years	8,895	992	9,855	791
- later than 5 years	7,114	104	9,555	-
	18,378	1,677	22,168	1,344

20. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

continued...

21. PENSION CONTRIBUTION

(a) Defined benefit scheme

The Lear Corporation UK Staff Pension Plan is a hybrid scheme, providing defined benefits for its deferred membership. Entry to the scheme is closed. All pension schemes are funded by the payment of contributions to separately administered trust funds.

The valuation used has been based on the preliminary results of the most recent actuarial valuation at 5 April 2018 and was updated by a qualified independent actuary to take account of the requirements of FRS 102 in order to assess the surplus of the scheme at 31 December 2018 and 31 December 2017. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying expected forecasts to each category of scheme assets.

The assets and liabilities of the scheme and the expected rates of return at 31 December are:

	31.12.18	31.12.17
	£000	£000
Equities	11,338	12,495
Gilts	5,126	5,224
Cash	166	119
Fair value of scheme assets	16,630	17,838
Present value of scheme liabilities	(15,052)	(16,200)
Surplus in the scheme	1,578	1,638
Effect of asset limitation	(1,578)	(1,638)
Net pension surplus	-	-

In line with the accounting policy for pension costs, asset limitation has been applied to the surplus in the scheme, as reduced contributions in the future or refunds from the plan are not confirmed.

continued...

21. PENSION CONTRIBUTION (continued)

The amounts recognised in the Income Statement and the Statement of Other Comprehensive Income for the year are analysed as follows:

Recognised in the Income Statement

	31.12.18	31.12.17
	£000	£000
Past service cost	149	-
Interest income on plan assets	(460)	(437)
Interest due to asset limitation	43	8
Interest on obligation	415	426
Total recognised in the Income Statement	147	(3)

An allowance of £149,000 for GMP equalisation has been treated as a past service cost, this is calculated based on industry guidance and market practice adopted by UK Defined Benefit Schemes which have a comparable benefit structure to that of the plan.

Due to the asset limitation in place the income statement also reflects the interest on asset restriction.

Analysis of amounts recognised in the Statement of Other Comprehensive Income

	2018	2017
Remeasurements	£000	£000
- Effect of changes in assumptions	1,127	(227)
- Effect of experience adjustments	76	-
- Return on plan assets	(1,349)	1,358
- Changes in asset ceiling	103	(1,324)
	(43)	(193)

The main assumptions used by the actuary are:

	2018	2017
	%	%
- Rate of increase in pensions in payment	3.1	3.2
- Rate of increase in pensions in deferment	2.3	2.2
- Discount rate	2.8	2.6
- Inflation assumption RPI	3.3	3.2
- Inflation assumption CPI	2.3	2.2

Post retirement mortality:	Years	Years
- Current pensioners at 65 - male	22.1	22.9
- Future pensioners at 65 - male	23.9	25.0
- Current pensioners at 65 - female	24.1	25.0
- Future pensioners at 65 - female	25.9	27.3

The post-retirement mortality assumptions allow for expected increases in longevity. The current pensioner disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, while future pensioner disclosures above are based on a male employee aged 45 years and retiring in 20 years time.

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21. PENSION CONTRIBUTION (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2018 £000	2017 £000
As at 1 January	16,200	16,030
Past service cost	149	-
Interest cost	415	426
Remeasurements - effect of changes in assumptions	(1,127)	227
Remeasurements - effect of experience adjustments	(76)	-
Benefits paid	(509)	(483)
As at 31 December	15,052	16,200

Changes in the fair value of plan assets are analysed as follows:

	2018 £000	2017 £000
As at 1 January	17,838	16,336
Expected return on plan assets	(1,349)	1,358
Interest income	460	437
Employer contributions	190	190
Benefits paid	(509)	(483)
As at 31 December	16,630	17,838

Summary of scheme assets and liabilities as follows:

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Fair value of scheme assets	16,630	17,838	16,336	14,132	14,883
Present value of scheme liabilities	(15,052)	(16,200)	(16,030)	(13,308)	(13,771)
Surplus in the scheme	1,578	1,638	306	824	1,112
Effect of asset limitation	(1,578)	(1,638)	(306)	(824)	(1,112)
Net pension surplus	-	-	-	-	-

(b) Defined contribution schemes

The pension cost charge in respect of the defined contribution pension schemes is shown in Note 4.