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Saft Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 328857

Saft Limited

Annual Report and financial statements for the year ended 31 December 2019

Contents

Page:

Directors	Mrs T Collinson Mr J Taylor Mr I Carmi
Registered office	River Drive South Shields Tyne & Wear NE33 2TR
Company Secretary	Mr S Harrison
Auditors	Mazars LLP 5th Floor 3 Wellington Place Leeds LS1 4AP
Company Number	328857

Saft Limited

Strategic report
for the year ended 31 December 2019

Introduction
Saft Limited's ("the Company") mission is to provide battery solutions to civil and military customers, on time, right first time and profitably. The strategy agreed to achieve this is that by embracing continuous improvement and best practice we will endeavour to be the preferred choice for the design and supply of cells and battery solutions in both civil and military markets. The Directors and Shareholders of the business believe that the financial performance during the year herein reported and for the years immediately preceding demonstrate that the Company is being managed in accordance with that mission and strategy, and further that the business plan for the future will continue to meet those requirements.

Fair Review of Business
The Company continued to perform strongly in 2019 despite the impact of Ministry of Defence (MOD) restocking which resulted in lower sales compared to 2018.

During 2019 investment in the site at South Shields continued to rise with capital expenditure of £860K.

The business remains healthy and profitable thanks to the ongoing continuous improvement within the business.

Principal risks and uncertainties
The principal risks are:

1. Low price East Asian competition
2. Delays in new equipment projects
3. Supply chain disruption
4. Legislative changes
5. Financial risks
6. COVID-19

1. The Company's strategy of continuing to offer high specification and high added value products into demanding applications and markets (in particular to United Kingdom military customers), along with a robust local supply chain helps defend against low price competition.

2. New equipment projects are managed by a Project Manager. The equipment supplier will be audited and managed by their action plans enabling Saft to have any delays potentially highlighted and risk mitigated.

3. The Company sources its material requirements both locally and internationally. Exposure to potential delays/ disruptions within the supply chain could adversely affect the business. To mitigate this, the Company pursues a policy of dual sourcing all critical materials and has in place effective supplier selection, purchasing and monitoring procedures. The Company continues to assess the impact of the ongoing Brexit negotiations and will take mitigating action as appropriate.

4. United Kingdom, European Union and International legislation affects the business operations. Due to Saft's international presence, its use of internal and external consultants and internal controls, any changes to legislation are assessed – either locally, within the European Saft sites or internationally across the whole Saft group - and business actions taken to review impact on business strategy, ensure compliance and initiate 'best practice'. Following the result of the EU Referendum in June 2016 the Company continues to monitor the progress of the ongoing Brexit negotiations and will react accordingly to any legislative changes.

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

    a. *Credit risk*
    Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company only undertakes transactions with financial institutions which have a strong external credit rating. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made and the regular updating of customer credit ratings.

    b. *Liquidity risk*
    The Company manages its working capital to minimise additional funding requirements. However, the Company has access to group and external funds if required for ongoing operations and future investments.

    c. *Interest rate risk*
    The Company is exposed to changes in interest rates.

    d. *Foreign exchange risk*
    The Company is exposed to foreign exchange risk as a result of its international operations. In particular the Company has exposure to the US dollar as a result of purchasing stock items from other group companies.

    These risks are monitored on a regular basis in order to limit any adverse effects on financial performance.

6. COVID-19 - Since the year-end the world has and is continuing to face the COVID-19 pandemic on an unprecedented scale. The Company has taken a number of actions to help mitigate the impact with the top priority the health and safety of all its stakeholders, especially its' employees.

Financial key performance indicators
The directors consider the financial KPI's of the business to be:

- Turnover
- Gross Margin
- Operational Costs
- Operating Working Capital

Other key performance indicators
The directors consider the non-financial KPI's of the business to be:

- On Time Delivery
- Health & safety compliance

This report was approved by the board and signed on its behalf by:

Tessa Collinson
Tessa Collinson (Dec 18, 2020 13:25 GMT)

T. Collinson
Director

Dec 18, 2020

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

Business review and principal activities
Saft Limited is a wholly owned subsidiary of Saft Groupe SA which in turn is a wholly owned subsidiary of Total SA. The Company's activities in the United Kingdom include the design, manufacture and sale of a comprehensive range of primary (non-rechargeable) cells and batteries, and the design and assembly of secondary (rechargeable) batteries, all for use in the military and civil industrial markets, both in the United Kingdom and overseas.

The results for the Company show a profit on ordinary activities before taxation of £865K (2018: £1,953K) for the year and turnover of £9,904K (2018: £11,566K). During the year the Company declared and paid dividends of £1,235K (2018: £650K.)

Business environment
The economic climate in 2019 following the decision for Brexit created a cautious UK trading market. There remains significant uncertainty about the outcome of the current Brexit negotiations.

The Company's strategy continues to provide a local manufacturing source for its largest market (United Kingdom) and customers; providing a robust local supply chain based on the principles of quality, cost and delivery, and security/sovereignty of supply for the defence market.

The manufacturing activities are managed under latest 'lean manufacturing' philosophies using regularly reviewed policy deployment objectives and comprehensive key performance indicators, covering the six main business areas of:

- Quality
- Cost
- Delivery
- Market (needs/trends)
- Environment
- Morale

The overall business policy deployment objectives then cascade throughout the organisation in such a manner that all stakeholders have a clear understanding of how their roles, responsibilities and actions impact upon the overall business objectives. Throughout the organisation, plan, do, check and act activities are initiated by stakeholder multi-disciplined teams to continuously improve specific processes which contribute to overall business continuous improvement. The teams' recommendations and actions cover all areas – parts, people (training), process (improvement), plant (equipment – including capital expenditure) – of improvement and enhancement in order to meet business objectives.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

Mrs T Collinson
Mr J Taylor
Mr I Carmi

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Matters covered in the strategic report

Certain information is not shown in the Directors' Report because it is shown in the Strategic Report instead under S414c(ii). The Strategic Report includes information on the principal risks and uncertainties of the business and information on both financial and non-financial key performance indicators.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved confirm that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Political Contributions

The company made no political donations or incurred any political expenditure in the year (2019: £nil.)

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Post Balance Sheet Events

The directors declared a dividend totalling £1,500K in 2020 (2019: £1,235K.)

Since the Statement of Financial Position date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

Going Concern

The directors have prepared financial projections which show that the Company will continue to operate within its facilities for at least 12 months following the approval of the financial statements.

As a consequence, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the going concern basis of accounting continues to be appropriate in preparing the financial statements. The directors have considered a period in excess of twelve months from the date of approval of these financial statements in making this assessment.

Given the COVID-19 pandemic which has evolved since the financial year-end the Directors have continued to monitor the Company's ability to operate within its available facilities for the foreseeable future. The Directors are satisfied that current forecasts show that the Company will continue to operate within its facilities.

Future developments

During 2020 the Company has faced the impact of the COVID-19 pandemic. The duration of the pandemic remains uncertain, however, it is anticipated that the impact will continue to be felt in Q1 & Q2 of 2021. The Company has taken a number of actions to mitigate this impact to ensure that it is well placed to move forwards post pandemic. Saft continues to support new equipment programmes introduced into service. The Company continues to develop its range of products and associated services to address these increasingly demanding applications.

On behalf of the board

Tessa Collinson
Tessa Collinson (Dec 18, 2020 13:25 GMT)

T. Collinson
Director

River Drive
South Shields
Tyne & Wear

Dec 18, 2020

Opinion

We have audited the financial statements of Saft Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 6, and the consideration in the going concern basis of preparation on page 12 and non- adjusting post balance sheet events on page 24.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

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 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.

Other information (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In 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 Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Use of the audit 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.

Chris Hudson
Chris Hudson (Dec 18, 2020 15:40 GMT)

Christopher Hudson (Senior Statutory Auditor) for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP
Date Dec 18, 2020

Saft Limited

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

	Note	2019 £'000	2018 £'000
Turnover	3	9,904	11,566
Cost of sales		(7,859)	(8,691)
Gross profit		2,045	2,875
Distribution costs		(445)	(392)
Administrative expenses		(1,069)	(861)
Other operating income	4	317	321
Operating profit	5	848	1,943
Interest receivable and similar income	8	17	10
Profit before taxation		865	1,953
Taxation on profit on ordinary activities	9	(172)	(407)
Profit for the financial year		693	1,546
Retained profits at 1 January		4,453	3,557
Dividends paid		(1,235)	(650)
Retained profits at 31 December		3,911	4,453

There were no recognised gains and losses for 2019 & 2018 other than those included in the statement of income and retained earnings.

There was no other comprehensive income for 2019 (2018: nil.)

The notes on pages 12 to 24 form part of these financial statements.

Saft Limited

Statement of financial position
at 31 December 2019

Company registration 328857	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	10	**113**	227
Tangible assets	11	**2,471**	1,857
		2,584	2,084
Current assets			
Inventories	12	**839**	885
Debtors	13	**6,619**	8,299
Cash at bank and in hand		**2,216**	2,404
Current assets		**9,674**	11,588
Creditors: amounts falling due within one year	14	**(1,951)**	(2,835)
Net current assets		**7,723**	8,753
Total assets less current liabilities		**10,307**	10,837
Provisions for liabilities	15	**(146)**	(127)
Provision for Deferred Tax	17	**(35)**	(42)
Net assets		**10,126**	10,668
Capital and reserves			
Called up equity share capital	18	**5,840**	5,840
Share premium account	20	**375**	375
Retained Earnings	21	**3,911**	4,453
Total Equity		**10,126**	10,668

The financial statements were approved by the Board of Directors and authorised for issue on Dec 18, 2020

Tessa Collinson
Tessa Collinson (Dec 18, 2020 13:25 GMT)

T.Collinson
Director

The notes on pages 12 to 24 form part of these financial statements.

1 Accounting policies

Saft Limited (the Company) is a private limited company (limited by share capital) incorporated in the United Kingdom. The address of its registered office and principal place of business is River Drive, South Shields, Tyne and Wear, NE33 2TR.

These financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment in which the Company operates. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies. Please see disclosures in Note 2.

The Company's ultimate parent undertaking Total S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Total S.A. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available from www.total.com.

The Company is a "qualifying entity" under FRS 102 and has therefore utilised the following disclosure exemptions available:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation;
- The requirements of Section 33 Related Party Disclosures paragraph 33.7; and
- Exemption from disclosing share based payments received under FRS 102 paragraph 26.18(b), 21.19 to 21.21 and 26.23.

As the consolidated financial statements of Total S.A include the disclosures equivalent to those required by FRS 102 the Company has also taken the exemptions available in respect of the following disclosures: Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Going Concern

The directors have prepared financial projections which show that the Company will continue to operate within its facilities for at least 12 months following the approval of these financial statements.

As a consequence, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the going concern basis of accounting continues to be appropriate in preparing the financial statements. The directors have considered a period in excess of 12 months from the date of approval of these financial statements in making this assessment.

Given the COVID-19 pandemic which has evolved since the financial year-end the Directors have continued to monitor the Company's ability to operate within its available facilities for the foreseeable future. The Directors are satisfied that current forecasts show that the Company will continue to operate within its' facilities.

Revenue

Turnover represents the amounts derived from the provision of goods and services to customers after the deduction of trade discounts and value added tax. Turnover is recognised when the Company has transferred

1 Accounting policies *(continued)*

Revenue (continued)

the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are despatched to the buyer.

Other Operating Income

Income for Contract Services provided comprises plus 5% of attributable sales less local margin. This is recognised when the attributable sales are made by the respective group entities.

Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold buildings	-	10 to 50 years
Plant and machinery	-	3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Impairment of Goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Inventories

Inventories are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

1 Accounting policies *(continued)*

Inventories (continued)

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Foreign currency translation

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Intangible assets

a) Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life.
The Company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

(b) Research and development costs

Research expenditure is written off in the profit and loss account in the year in which it is incurred. Development expenditure is also written off to the profit and loss account, 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 as an intangible fixed asset and amortised over the period during which the group is expected to benefit.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and

1 Accounting policies *(continued)*

Current and Deferred Taxation (continued)

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment costs in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Operating lease arrangements

Lease agreements where substantially all of the benefits and risks of ownership remain with the lessor are classified and accounted for as operating leases. Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight-line basis over the lease term.

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Share based payment transactions

The Company is part of a number of group share-based payment plans operated by Total S.A., the ultimate parent. On the grounds of materiality, no employee expense, or corresponding movement in equity has been recognised over the period in which employees become unconditionally entitled to the awards under the group share-based payment plans.

Warranty Provision

The Company makes a provision for warranty on customer sales based on a number of criteria including historical returns.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned. There have been no indicators of impairments identified during the current financial year.

2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Stock Provision

The Company establishes a provision for slow-moving and obsolescent stock. When assessing the provision required the directors have considered factors such as forward usage requirements based on the current sales portfolio, the period since the stock was last utilised and the impacts of any degradation of the stock over time.

Determining residual values and useful economic lives of tangible and intangible assets

The Company depreciates tangible assets, and amortises intangible assets, over their estimated useful lives. The estimation of the useful lives of tangible assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied. The estimation of useful lives of intangible assets is based on any contractual or legal rights associated with the asset, or the period in which the Company expects to use the asset if shorter. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is also applied, when determining the residual values for fixed assets. When determining the residual value, the Directors have assessed the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible this is done with reference to external market prices.

3 Analysis of Turnover

	2019 £'000	2018 £'000
Analysis of turnover by country of destination:		
United Kingdom	**5,593**	6,510
Rest of Europe	**2,799**	2,690
United States of America	**1,501**	1,440
Other	**11**	926
	9,904	11,566

4 Other Operating Income

	2019 £'000	2018 £'000
Income from Contract Services	**317**	321

5 Operating profit

	2019 £'000	2018 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	**246**	313
Amortisation of intangible assets, including goodwill	**114**	113
Fees payable to the company's auditor for the audit of the company's annual accounts	**25**	19
Defined contribution pension cost	**238**	234

6 Employees

	2019 £'000	2018 £'000
Staff costs (including directors) consist of:		
Wages and salaries	**2,822**	2,753
Social security costs	**310**	287
Cost of defined contribution scheme	**238**	234
	3,370	3,274

6 Employees (Continued)

The average number of employees (including directors) during the year was as follows:

	2019 Number	2018 Number
Production	67	69
Distribution	10	10
Administration	17	17
	94	96

7 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	256	210
Company contributions to money purchase pension schemes	25	23
	281	233

There were 2 directors in the Company's defined contribution pension scheme (2019 – 2.)

The remuneration of the highest paid director was £153K (2018: £122K.) analysed as follows:

	2019 £'000	2018 £'000
Directors' emoluments	137	107
Company contributions to money purchase pension schemes	16	15
	153	122

In addition 2 directors were granted share options in the ultimate parent company Total S.A.(2018-1) and 1 director exercised their share options in the ultimate parent company. (2018 – Nil.)

8 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank income receivable	16	9
Interest receivable from group undertakings	1	1
	17	10

9 Taxation on profit on ordinary activities

	2019 £'000	2018 £'000
Current tax		
Current tax on profits of the year	**179**	422
Total current tax	**179**	422
Deferred tax		
Origination and reversal of timing differences	**(7)**	(15)
Total deferred tax	**(7)**	(15)
Taxation on profit on ordinary activities	**172**	407

The tax assessed for the year is higher (2018 – higher) than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	**865**	1,953
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	**164**	369
Effects of:		
Expenses not deductible for tax purposes	**2**	1
Other differences	**6**	37
Total tax charge for period	**172**	407

Factors that may affect future tax charges

The UK Corporation tax rate for 2020 (effective 1 April 2020) was maintained at 19% rather than reducing it to 17% and the rate for 2021 (effective 1 April 2021) was also set at 19% as substantively enacted on 11 March 2020.The deferred tax asset on 31 December 2019 has been calculated based on these rates.

10 Intangible assets

	Total £'000
Cost or valuation	
At 1 January 2019	2,551
Additions	-
At 31 December 2019	**2,551**
Amortisation	
At 1 January 2019	(2,324)
Provision for year	(114)
At 31 December 2019	**(2,438)**
Net book value	
At 31 December 2019	**113**
At 31 December 2018	227

11 Property, Plant and Equipment

	Freehold land and property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	1,214	5,249	6,463
Additions	306	554	860
Disposals	-	(13)	(13)
At 31 December 2019	**1,520**	**5,790**	**7,310**
Depreciation			
At 1 January 2019	288	4,318	4,606
Provision for year	37	209	246
Disposals	-	(13)	(13)
At 31 December 2019	**325**	**4,514**	**4,839**
Net book value			
At 31 December 2019	**1,195**	**1,276**	**2,471**
At 31 December 2018	926	931	1,857

Included within Land & Buildings is £573K (2018: £573K) attributed to land which is not depreciated.

12 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	**551**	738
Work in progress (goods to be sold)	**151**	79
Finished goods and goods for resale	**137**	68
	839	885

The directors believe that there are no material differences between the carrying value and replacement costs of inventories.

Inventory recognised in cost of sales during the year as an expense was £3,978K (2018: £4,553K).

13 Debtors

	2019 £'000	2018 £'000
Trade debtors	**1,431**	2,168
Amounts owed by group undertakings	**5,136**	6,087
Prepayments and accrued income	**52**	44
	6,619	8,299

Amounts owed by group undertakings are unsecured, interest free (except for cash deposits which bear interest at LIBOR less 0.15%) and are repayable on demand.

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**531**	593
Amounts owed to group undertakings	**147**	791
Taxation and social security	**215**	294
Corporation tax	**79**	215
Accruals and deferred income	**979**	942
	1,951	2,835

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

Saft Limited has a guarantee in place for the sum of £137K in relation to deferred duty.

15 Provisions for liabilities

Company	**Warranty Provision £'000**
At 1 January 2019	127
Charged to profit or loss	53
Utilised in year	(34)
At 31 December 2019	**146**

16 Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the year was £238K (2018: £234K). At 31 December 2019 £23K (2018: £23K), representing the unpaid contributions, were outstanding and are held in accruals.

17 Deferred taxation

	2019 £'000	**2018 £'000**
Accelerated Capital Allowances	**(39)**	(46)
Other Timing Difference	**4**	4
	(35)	(42)

	Deferred Taxation £'000
At 1 January 2019	**(42)**
Credit to the profit and loss for the year	**7**
At 31 December 2019	**(35)**

18 Share capital

	2019 £'000	**2018 £'000**
Allotted, called up and fully paid		
5,839,754 (2018 – 5,839,754) ordinary shares of £1 each	**5,840**	5,840

There are no special voting rights attached to the shares. The shares are not redeemable but may be purchased back by the Company. The shareholders are entitled to dividends if declared by the Board of Directors.

19 Dividends

	2019 £'000	2018 £'000
Declared and paid	**1,235**	650

20 Share Premium

The share premium represents the excess over nominal value received for the shares of the Company at the time of issue.

21 Retained Earnings

The profit and loss reserve records the cumulative amount of historic profits and losses less any distributions of dividends. All profit and loss reserves are distributable.

22 Contingent liabilities

The Company is subject to the Waste Batteries and Accumulators Regulations 2009. Placing batteries onto the United Kingdom market has created a constructive obligation to dispose of waste batteries. The directors have considered the likely impact of this legislation and are satisfied that any potential liability arising on the Company would be insignificant.

23 Commitments under operating leases

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	2019 Land & Buildings £'000	2018 Land & Buildings £'000	2019 Other £'000	2018 Other £'000
Not later than 1 year	**21**	21	**6**	10
Later than 1 year and not later than 5 years	**43**	63	**-**	11
Later than 5 years	**-**	-	**-**	-
Total	**64**	84	**6**	21

Operating lease payments expensed in the year under non-cancellable operating leases was £47K (2018: £43K)

24 Capital commitments

	2019 £'000	2018 £'000
Contracted but not provided for	**228**	504

25 Ultimate controlling party

The Company's immediate parent undertaking is Saft Groupe SA, a company incorporated in France. The ultimate parent undertaking and controlling party is Total S.A, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of Total S.A's consolidated financial statements can be obtained from 2 place Jean Millier, La Defense 6, 92400, Courbevoie, France. The smallest group to consolidate these financial statements is Saft Groupe S.A.

26 Related party transactions

The Company is a wholly owned subsidiary undertaking and as such has taken advantage of the exemption permitted by Section 33 "Related Party Disclosures" not to provide disclosures of transactions entered into with the parent company or other wholly owned subsidiaries within the group. The consolidated financial statements of Total S.A., the ultimate parent company, can be obtained from 2 place Jean Millier, La Defense 6, 92400, Courbevoie, France.

27 Post Balance Sheet Events

The directors have declared a dividend of £1,500K in 2020.

Post year-end the developments and circumstances around COVID-19 have been identified as a significant but non-adjusting event. Due to the uncertainties surrounding the potential implications to the entity, no estimate can be made at this time as to the financial effect thereof, however the Directors are satisfied that the entity will remain a going concern for the foreseeable future.

28 Adoption of the triennial review of FRS102

The mandatory adoption of the changes to FRS102, as a result of the 2017 triennial review, has not impacted upon the Company's accounting policies and there has been no adjustment to its equity or profit or loss for the financial year ended 31 December 2018.