TUV SUD (UK) Limited

Report and Financial Statements

Registered Number 03224488
31 December 2019

Company Information

Directors
G Aloisi (appointed 16 October 2019)
B S Austin (resigned 13 September 2019)
C Guy (appointed 13 February 2020)
P M Crystal
W J McKnight
C Schipper

Secretary
W J McKnight

Auditors
KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Bankers
HSBC plc
2 Buchanan Street
Glasgow
G1 3LB

Registered Office
Octagon House
Concorde Way
Segensworth North
Fareham
Hampshire
PO15 5RL

Registered Number
03224488

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activity and review of the business

The principal activity of the company during the year was to act as the parent undertaking for the UK activities of the TUV SUD Group in the UK. The UK Group has one main operating company, TUV SUD Limited. The principal activities of TUV SUD Limited include:

- TUV SUD Industry Service division: provision of consultancy, research, technical evaluation, certification and project management services to industry and the public sector, with particular emphasis on the oil and gas and nuclear energy sectors;
- TUV SUD Product Service division: provision of testing, compliance and certification services, mainly to the defence, aerospace and telecommunications industries;
- TUV SUD Real Estate division: design of building services and provision of consulting services regarding vertical transportation systems for a wide range of projects associated with the construction and development industries in the UK, Ireland and the UAE; and
- Fleet Logistics division: provision of vehicle fleet management services.

In addition, there is a service company, TUV SUD Services (UK) Limited, which provides business support services to the main operating company and TUV SUD BABT provides certification services for the UK Group.

The operating loss for the year amounted to £46,000 (2018 – £222,000 profit). Income from affiliated companies was £400,000 (2018 – £2,409,000).

The pension scheme is funded based upon the Triennial Actuarial Valuation updated each year by the Scheme Actuary. The liabilities of the pension scheme are met by a portfolio of assets which consists of 50% equity and 16% liability driven investments with the remainder being cash and insured pensions. As the portfolio is not totally in bonds there will be inherent volatility in the annual accounting for pension scheme liabilities in the short and medium term. In the long term the pension scheme should benefit from equity outperformance.

In relation to the evolving Coronavirus threat TUV SUD remains committed to protecting the welfare of staff, customers, suppliers and all other stakeholders. In addition to the advice and support we are receiving from the TÜV SÜD Global Team, we have set up a UK Response Team, consisting of members of the UK Senior Management Team, to plan and co-ordinate our response to this ever-developing situation. While appropriate measures will be taken to mitigate the effects of this pandemic on our business, it is not possible to quantify its effect on our business.

Principal risks and uncertainties

The company uses certain financial instruments to manage the main operating risks it faces. In particular, the company utilises overdraft facilities and short term group borrowings to manage the liquidity, cash flow and interest rate risks faced. The company also utilises long term loan arrangements with the parent undertaking to fund capital or other long term investment requirements.

On behalf of the Board

G Aloisi
Director

Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL

Date: 12 May 2020

Directors' report

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

Directors

The directors at 31 December 2019 and who served the company during the year and to the date of this report were as follows:

G Aloisi (appointed 16 October 2019)
B S Austin (resigned 13 September 2019)
C Guy (appointed 13 February 2020)
P M Crystal
W J McKnight
C Schipper

Results and dividends

The loss for the year after taxation amounted to £64,000 (2018 – £2,080,000 profit). The directors do not recommend a final dividend (2018 – £nil).

Future developments

The company will continue to act as the parent undertaking for the UK activities of the TUV SUD Group in the UK.

Political donations

During the year the company made no donations to any political organisations in excess of £2,000.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, and its exposure to liquidity, cash flow and interest rate risk are described in the Strategic Report on page 2.

The company has considerable financial resources with sound business relationships with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks appropriately and continue as a going concern.

Following the departure of the UK from the EU on 31 January 2020, the directors are closely monitoring the potential impact of Brexit. However, until further clarity is known regarding the future relationship between the UK and the EU, the directors are not able to definitively assess the impact on the Company and what the wider regulatory and legal consequences of the UK leaving the EU are. The Board continues to monitor this on an ongoing basis to determine whether any action is required to mitigate any risks expected to arise.

Directors' liabilities

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and remains in place to the date of this report.

Directors' report (continued)

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, in so far as they are aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

G Aloisi
Director

Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL

Date: 12 May 2020

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the members of TUV SUD (UK) Limited

Opinion

We have audited the financial statements of TUV SUD (UK) Limited ("the company") for the year ended 31 December 2019 which comprise the income statement, balance sheet, statement of changes in equity, statement of comprehensive income, and related notes, including the accounting policies in note 1.

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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of TUV SUD (UK) Limited

The purpose of our audit work and to whom we owe our responsibilities

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.

BMarks.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow G2 5AS

Date: 14 May 2020

Income statement

for the year ended 31 December 2019

	Note	*2019* *£000*	*2018* *£000*
Administrative expenses		(77)	(141)
Pension costs – operating credit		31	363
Operating (loss)/profit	3	(46)	222
Income from affiliated companies		400	2,409
Profit before interest and taxation		354	2,631
Finance income	5	3	2
Finance costs	6	–	(1)
Other finance cost – pensions	13	(64)	(201)
Profit before income tax		293	2,431
Income tax expense	7	(357)	(351)
(Loss)/profit for the financial year		(64)	2,080

The notes on pages 12 to 28 form part of these financial statements.

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2019

	Note	*2019* *£000*	*2018* *£000*
(Loss)/profit for the financial year		(64)	2,080
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurement (losses)/gains on pension scheme	13	(5,383)	3,669
Movement on deferred tax relating to pension deficit		915	(624)
Other comprehensive income for the year		(4,468)	3,045
Total comprehensive income for the year		(4,532)	5,125

Balance sheet

at 31 December 2019

	Note	*2019* *£000*	*2018* *£000*
Fixed assets			
Tangible assets	8	121	121
Investments	9	29,900	26,900
Deferred tax asset	7	1,138	580
		31,159	27,601
Current assets			
Debtors	10	5,135	7,211
Creditors: amounts falling due within one year	11	(40)	(306)
Net current assets		5,095	6,905
Total assets less current liabilities		36,254	34,506
Defined benefit pension liability	13	(6,696)	(3,416)
Net assets including pension liability		29,558	31,090
Capital and reserves			
Called up share capital	12	4,250	4,250
Share premium account		2,244	2,244
Capital contribution reserve		27,747	24,747
Profit and loss account		(4,683)	(151)
Equity shareholders' funds		29,558	31,090

The notes on pages 12 to 28 form part of these financial statements.

The financial statements were approved by the directors and authorised for issue on 12 May 2020 and are signed on their behalf by:

G Aloisi
Director

Statement of changes in equity

at 31 December 2019

	Called up share capital	*Share premium account*	*Capital contribution reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 1 January 2018	4,250	2,244	24,747	(5,276)	25,965
Profit for the financial year	–	–	–	2,080	2,080
Other comprehensive income	–	–	–	3,045	3,045
Total comprehensive income for the year	–	–	–	5,125	5,125
At 31 December 2018	4,250	2,244	24,747	(151)	31,090
Receipt of capital contribution	–	–	3,000	–	3,000
Loss for the financial year	–	–	–	(64)	(64)
Other comprehensive loss	–	–	–	(4,468)	(4,468)
Total comprehensive loss for the year	–	–	–	(4,532)	(4,532)
At 31 December 2019	4,250	2,244	27,747	(4,683)	29,558

Notes to the financial statements

at 31 December 2019

1. Accounting policies

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

Basis of preparation

TUV SUD (UK) Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 03224488 and the registered address is Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL.

The financial statements of TUV SUD (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The presentation currency of these financial statements is Sterling.

The Company's ultimate parent undertaking, TUV SUD AG, includes the Company in its consolidated financial statements. The consolidated financial statements of TUV SUD AG are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Westendstrasse 199, D-80686 Munich, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations of share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of TUV SUD AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet as at 1 January 2014 for the purpose of transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Group financial statements

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirements to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The directors, having assessed the responses of the directors of the company's ultimate parent TUV SUD AG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the company to continue as a going concern.

The company's forecasts, taking into account reasonably possible changes in trading performance, show that the company should be able to continue in operational existence for the foreseeable future. Thus the Directors' continue to adopt the going concern basis of accounting in preparing the annual financial statements. These forecasts have subsequently been stress-tested for the impact of the COVID-19 crisis and have taken into account the increased costs that the Company is likely to incur in order to maintain the continuity of business. The directors have considered the impact of the COVID-19 crisis and are of the view that the company will remain a going concern.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Tangible fixed assets

Freehold land is recorded at cost and is not depreciated.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Investments

Investments in group undertakings are accounted for at cost or valuation less any provision for impairment.

Taxation

Tax on the profit or loss 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 directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statements.

Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Defined benefit plans (continued)

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the income statement.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Expenses

Finance income and cost

Interest cost include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statements (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Finance Income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2. Accounting estimates and judgements

The preparation of financial statements in accordance with FRS101 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the financial statements

at 31 December 2019

2. Accounting estimates and judgements (continued)

The company believes that there are no areas of material uncertainty which affect the financial statements.

3. Auditor's remuneration

	2019	*2018*
	£000	*£000*
Auditor's remuneration – audit of financial statements	7	7

Auditor's remuneration of £7,000 is borne by a fellow group company.

4. Staff costs

(a) Staff costs

	2019	*2018*
	£000	*£000*
Current service cost of pension fund (note 13)	182	807
Administrative expenses of pension fund (note 13)	356	375
Contribution from TUV SUD Services (UK) Limited	(6)	(64)
Contribution from TUV SUD Limited	(563)	(940)
Contribution from TUV SUD BABT Unlimited	–	(6)
Pension costs – operating (credit)/charge	(31)	172

The company has no employees.

(b) Directors' remuneration

None of the directors' receive remuneration or company contributions paid to pension schemes through this company. There are also no directors accruing benefits under defined benefit schemes.

Three directors are also directors of associated group undertakings, from which they received remuneration for qualifying services. The total remuneration received across all group companies for these directors amounted to £515,000 (2018 – £625,000). The directors do not believe that it is practicable to apportion this amount over the other TUV SUD group companies.

Two other directors did not perform any qualifying services to the company, therefore their emoluments are £nil (2018 – £nil).

	2019	*2018*
	£000	*£000*
In respect of the highest paid director paid through group companies:		
Aggregate emoluments	216	196

Notes to the financial statements

at 31 December 2019

5. Finance income

	2019	*2018*
	£000	*£000*
Receivable from group undertakings	3	2

6. Finance costs

	2019	*2018*
	£000	*£000*
Payable to group undertakings	–	1

7. Taxation

(a) Recognised in the income statement

	2019	*2018*
	£000	£000
Current tax:		
UK corporation tax on profit for the year	–	(27)
Adjustment in respect of prior periods	–	–
Total current tax	–	(27)
Deferred tax:		
Pension charges	357	378
Total deferred tax	357	378
Total tax	357	351

Notes to the financial statements

at 31 December 2019

7. Taxation (continued)

(b) Reconciliation of effective tax rate

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019	*2018*
	£000	*£000*
(Loss)/profit for the year	(64)	2,080
Total corporation tax expense	357	351
Profit before tax	293	2,431
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	55	462
Effects of:		
Income not taxable	(76)	(67)
Utilisation of tax losses	14	
Other timing differences	406	–
Tax rate changes	(42)	(44)
Total tax expense reported in the income statement	357	351

(c) Deferred tax

The deferred tax asset included in the balance sheet at 17% (2018 – 17%) is as follows:

	£000
At 1 January 2019	587
Deferred tax charge in the income statement	(357)
Deferred tax charge in the statement of comprehensive income	915
At 31 December 2019	1,145

	2019	*2018*
	£000	*£000*
Included in debtors (note 10)	7	7
Included in pension liability	1,138	580
	1,145	587

Notes to the financial statements

at 31 December 2019

7. Taxation (continued)

(c) Deferred tax (continued)

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	2019		2018	
	Provided	*Not provided*	*Provided*	*Not provided*
	£000	*£000*	*£000*	*£000*
Tax losses available	–	52	–	52
Other timing differences	1,145	–	587	–
Deferred tax asset	1,145	52	587	52

(d) Factors that may affect future tax charges

A reduction in the UK Corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. As the future tax rate reductions were substantively enacted at the balance sheet date deferred tax should be calculated at a rate of 17.25% for timing differences reversing in the accounting period ending 31 December 2020 and at 17% for all differences reversing at a later date.

As the impact on the reversal of the deferred tax asset is not material, all timing differences at the balance sheet date have been calculated at 17%.

8. Tangible fixed assets

	Freehold land
	£000
Cost and carrying value:	
At 1 January 2019 and 31 December 2019	121

Notes to the financial statements

at 31 December 2019

9. Investments

	Shares in group companies	*Loans to group companies*	*Total*
	£000	*£000*	*£000*
Cost and carrying value:			
At 1 January 2018	26,900	–	26,900
Repayments	–	–	–
At 1 January 2019	26,900	–	26,900
Additions	3,000	–	3,000
At 31 December 2019	29,900	–	29,900

The addition in the year is in relation to an increase in the investment in TUV SUD Limited by way of capital contribution.

The company's investments at the balance sheet date in the share capital of companies include the following (items noted with * are indirect holdings):

Company and Registered Office	*Principal Activity*	*Country of incorporation*	*Class of shares*	*Percentage held*	*Capital and Reserves (£'000)*	*Profit/(loss) for Financial Year (£'000)*
TUV SUD Limited Napier Building Scottish Enterprise Technology Park East Kilbride Glasgow, G75 0QF	Main operating company of the TUV SUD Group in the UK	Scotland	Ordinary	100%	15,197	(4,215)
TUV SUD Services (UK) Limited Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Provision of business support services to other TUV SUD Group companies	England & Wales	Ordinary	100%	3,276	(16)
*TUV SUD BABT Unlimited Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Certification services	England & Wales	Ordinary	100%	320	5
*Superfresh Limited Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Dormant	England & Wales	Ordinary	100%	938	-

Notes to the financial statements

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9. Investments (continued)

Company and Registered Office	*Principal Activity*	*Country of incorporation*	*Class of shares*	*Percentage held*	*Capital and Reserves (£'000)*	*Profit/(loss) for Financial Year (£'000)*
*Dunbar & Boardman Partnership Limited Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Dormant	England & Wales	Ordinary	100%	1,071	–
*Wallace Whittle (Holdings) Limited Napier Building Scottish Enterprise Technology Park East Kilbride Glasgow, G75 0QF	Dormant	Scotland	Ordinary	100%	3,043	–
*Wallace Whittle Limited Napier Building Scottish Enterprise Technology Park East Kilbride Glasgow, G75 0QF	Dormant	Scotland	Ordinary	100%	5,269	–
*Nuclear Technologies plc Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Dormant	England & Wales	Ordinary	100%	1,955	–
*Fleet Logistics UK Limited 3500 Parkside Birmingham Business Park Birmingham West Midlands B37 7YG	Dormant	England & Wales	Ordinary	100%	736	–
*BABT Investment 2 Limited Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Dormant	England & Wales	Ordinary	100%	165	–
*BABT Investment 3 Limited Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL	Dormant	England & Wales	Ordinary	100%	165	–

Notes to the financial statements

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10. Debtors

	2019	2018
	£000	£000
Amounts owed by group undertakings	5,128	7,204
Deferred taxation (note 7(c))	7	7
	5,135	7,211

Debtors includes amounts owed by group undertakings of £4,739,000 (2018 – £6,551,000) due after more than one year.

11. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Amounts owed to group undertakings	–	266
Accruals and deferred income	40	40
	40	306

12. Issued share capital

		2019		2018
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	4,250,000	4,250	4,250,000	4,250

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

13. Employee benefits

During the year, the company operated the following pension scheme in the United Kingdom.

TPS Benefits Scheme

The TPS Benefits Scheme is a final salary defined benefit scheme operating under the Pension Act 2004. The scheme was closed to new entrants with effect from 1 January 2006. An estimated actuarial valuation was carried out as at 31 December 2019, based on a formal valuation at 31 December 2016, by a qualified independent actuary.

Trustees have the primary responsibility for governance of the scheme. Benefits payments are from trustee-administered funds and scheme assets are held in trusts which are governed by UK regulation. Responsibility for governance of the scheme, including setting contribution rates, lies jointly with the company and the trustees. However, investment decisions are the responsibility of the trustees only. The trustee directors are comprised of nominations from the company and members in accordance with the trust deed and rules.

Funding

The contributions made to the scheme during the financial year were £2,705,000 (2018 – £3,069,000). Contributions of £2,216,000 are expected to be made to the scheme in 2020.

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at 31 December 2019

13. Employee benefits (continued)

The risks of the scheme are as follows:

Asset matching volatility

If the value of the Scheme assets does not move in line with the value of the Scheme liabilities then the deficit may increase more than may have been expected. A buy-in of the majority of the current pensioners occurred in December 2017 and their benefits are covered precisely by annuities secured in the name of the Trustees. The value of the liabilities for these members' benefits will match the value of the underlying annuity policy asset. In addition, in 2019 the Scheme invested in liability driven investments which will partially mitigate asset volatility.

Inflation risk

The majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). The Scheme's buy-in policy and liability driven investments provide some matching to inflation-related risk.

Longevity

Increases in life expectancy in excess of the increases allowed for in the assumptions will increase non-insured Scheme liabilities. The inflation-linkage of the benefits also means that inflationary increases result in higher sensitivity to increase in life expectancy.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings. For the annuity policy, the value of the insured asset will increase in line with the value of the liabilities in respect of the insured benefits.

The major assumptions used by the actuary were (in nominal terms):

	2019	*2018*	*2017*
	%	*%*	*%*
Rate of increase in salaries	1.00	1.00	2.20
Rate of increase in pensions in payment	2.95	3.10	3.10
Discount rate	2.05	2.95	2.50
Inflation assumption – retail prices index	3.00	3.20	3.20
Inflation assumption – consumer prices index	2.10	2.20	2.20

Notes to the financial statements

at 31 December 2019

13. Employee benefits (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experiences in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2019	*2018*	*2017*
Member age 65 (current life expectancy)			
Men	22.1	21.9	22.9
Women	23.7	23.5	24.8
Member age 45 (life expectancy at age 65)			
Men	23.6	23.3	24.3
Women	25.4	25.2	26.4

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2019	*2018*
	£000	*£000*
Defined benefit asset	80,160	71,684
Defined benefit liability	(86,856)	(75,100)
Net liability for defined benefit obligations	(6,696)	(3,416)

Notes to the financial statements

at 31 December 2019

13. Employee benefits (continued)

Movements in net defined benefit liability

	Defined benefit obligation		*Fair value of plan assets*		*Net defined benefit liability*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Balance at 1 January	(75,100)	(84,969)	71,684	75,662	(3,416)	(9,307)
Included in income statement						
Current service cost	(182)	(807)	–	–	(182)	(807)
Past service cost	–	536	–	–	–	536
Interest (cost)/income	(2,181)	(2,103)	2,117	1,902	(64)	(201)
Included in other comprehensive income						
Re-measurements gain:						
Actuarial gain arising from:						
- Changes in demographic assumptions	(344)	2,756	–	–	(344)	2,756
- Change in financial assumptions	(11,403)	6,761	–	–	(11,403)	6,761
- Experience adjustment	(5)	396	–	–	(5)	396
Return on plan assets excluding interest income	–	–	6,369	(6,244)	6,369	(6,244)
Other						
Contributions paid by the employer	–	–	2,705	3,069	2,705	3,069
Benefits paid	2,432	2,534	(2,432)	(2,534)	–	–
Contributions paid by the employee	(73)	(204)	73	204	–	–
Administration expenses	–	–	(356)	(375)	(356)	(375)
Balance at 31 December	(86,856)	(75,100)	80,160	71,684	(6,696)	(3,416)

Notes to the financial statements

at 31 December 2019

13. Employee benefits (continued)

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	*Increase in assumption*	*Decrease in assumption*
The value of obligation at the end of the year if:			
		£000	*£000*
Discount rate	1.0%	72,193	104,683
Inflation	0.75%	95,395	79,192

In valuing the liabilities of the pension fund at 31 December 2019, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2019 would have increased by £3,673,000 before deferred tax.

The above analysis assume that assumption changes occur in isolation except in the case of inflation where any change is assumed to have a corresponding impact on inflation-linked pension increases. In practice, this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities.

The fair value of the plan assets was:

	2019	*2018*
	£000	*£000*
UK Equities	24,308	19,658
Overseas Equities	15,783	12,571
Liability Driven Investments	12,498	–
Index Linked Gilts	–	14,394
Cash	2,971	2,251
Insured Pensions	24,600	22,810
	80,160	71,684

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

14. Subsequent events

As of the date of signing, the UK is putting in place measures to combat the ongoing COVID-19 pandemic. The Group are monitoring the situation closely for further developments and any potential impacts on Group operations. This includes updating their forecasts, taking account of reasonably possible downsides.

Notes to the financial statements

at 31 December 2019

15. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is TÜV SÜD AG, a company incorporated in Germany. Copies of its group financial statements, which are the smallest and largest group for which group financial statements are drawn up and of which the company is a member, are available from its registered office:

TÜV SÜD AG
Westendstrasse 199
D-80686 Munich
Germany