TUV Rheinland UK Limited

Annual report and financial statements

for the year ended 31 December 2019

Registered number: 03777795

TUV Rheinland UK Limited

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

Officers and professional advisers

Directors

A Helbig
G J Book
K Raapke

Registered office

One Cranmore Drive
Shirley
Solihull
West Midlands
B90 4RZ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Strategic report for the year ended 31 December 2019

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

Principal activities

The principal activity of the company during the year was that of a holding company for the Group's UK activities along with product assurance certification.

Results, dividends, future developments and business review

The profit for the year amounted to £1,053,000 (2018: profit of £3,750,000). The profit in the prior year was largely due to a dividend of £1,732,000 from its wholly owned subsidiary, 2M Consultancy Ltd (2018: dividend of £5,000,000 from its wholly owned subsidiary undertaking, Risktec Solutions Limited). The directors are again not able to recommend a dividend.

In 2019 there was a 39.3% (2018: 23.8%) increase in revenue related to the product assurance certification business over the prior year. New services continue to be implemented and with further growth initiatives planned and a clear strategy the directors expect further growth of the company. Details of risks at a Group level in relation to breast implants of the French company, Poly Implant Prothese, are shown on pages 41 and 42 of the Group Management Report of TUV Rheinland AG.

Key performance indicators

Performance during the year and comparison with the previous year are detailed in the table below:

	2019	2018	
Growth in revenue %	**39.3%**	23.8%	Year on year sales growth expressed as a %
Net profit £'m	**£1.05m**	£3.75m	Profit for the financial year
Total equity £'m	**£39.9m**	£38.8m	Total equity

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The management of risks is undertaken at the TUV Rheinland AG consolidated ('group') level. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the group's annual report which does not form part of this report.

Subsequent events and impact of COVID-19

There are no significant events after the end of the reporting year other than the impact of COVID-19 (2018: none).

In 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time has spread across China and to a significant number of other countries including the UK. The company considers the emergence and spread of COVID-19 to be a non-adjusting post-balance sheet event. We expect the coronavirus pandemic to have a negative impact on the trend in business of the individual business streams (including subsidiary undertakings). A precise estimate of the economic impacts of the coronavirus pandemic on the respective business streams is not possible at this point in time.

Impact of Brexit

The impact of the terms of the United Kingdom's withdrawal from the European Union are not clear and is likely to continue to lead to many months of uncertainty as the political and legal issues are worked out. The directors do not believe that it will have a material impact on the business but will monitor events closely.

Strategic report
for the year ended 31 December 2019 (continued)

Financial risk management objectives and policies

The company's principal financial instruments comprise bank borrowings, intra-group loans and cash to finance the company's operations, along with trade and other receivables and trade creditors which arise directly from its operations. The main risks arising are interest rate risk, liquidity risk, foreign currency risk, and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The company's exposure to market risk for changes in interest rates relates primarily to the company's intercompany debt obligations. The company monitors the position closely and additional equity is raised when required.

Liquidity risk

The company's objective is to maintain an appropriate balance between cash balances and intra-group loans. The company prepares annual forecasts and reviews these on a regular basis.

Foreign currency risk

The company does not seek to hedge the exposure to this risk, although does monitor the situation regularly to minimise any risk.

Credit risk

The company trades with only recognised, creditworthy third parties. It is the company policy that all customers who wish to trade on credit terms are subject to certain credit vetting procedures.

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

G J Book
Director
13 July 2020

Registered number: 03777795

Directors' report
for the year ended 31 December 2019

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

Directors

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

A Helbig
G J Book
K Raapke

Results, dividends, business review and financial risk management objectives and policies

These are disclosed in the Strategic report on pages 2 and 3. The directors have not paid a dividend in the year (2018: £nil). No final dividend is proposed (2018: £nil).

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or profit of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Directors' report
for the year ended 31 December 2019 (continued)

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

G J Book
Director
13 July 2020

Registered number: 03777795

Independent auditors' report to the members of TUV Rheinland UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, TUV Rheinland UK Limited's 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of TUV Rheinland UK Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Independent auditors' report to the members of TUV Rheinland UK Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Simon Evans

Simon Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
13 July 2020

TUV Rheinland UK Limited

Income statement
for the year ended 31 December 2019

	Note	2019	2018
		£'000	£'000
Revenue	4	**3,960**	2,843
Cost of sales		**(1,173)**	(979)
Gross profit		**2,787**	1,864
Other operating expenses	5	**(3,526)**	(2,999)
Income from shares in group undertakings	6	**1,732**	5,000
Operating profit	6	**993**	3,865
Net finance income / (expense)	8	**60**	(115)
Profit before taxation		**1,053**	3,750
Income tax expense	9	**-**	-
Profit for the financial year		**1,053**	3,750

There is no other comprehensive income for the financial years other than those included above. Accordingly, no separate statement of comprehensive income is presented.

TUV Rheinland UK Limited

Statement of financial position
as at 31 December 2019

	Note	2019	2018
		£'000	£'000
Fixed assets			
Right-of-use assets	10	**187**	-
Property, plant and equipment	11	**137**	276
Investments	12	**43,809**	42,667
		44,133	42,943
Current assets			
Inventories	13	**188**	135
Trade and other receivables	14	**11,390**	9,772
Cash and cash equivalents		**-**	508
		11,578	10,415
Creditors: amounts falling due within one year	15	**(14,615)**	(11,388)
Net current liabilities		**(3,037)**	(973)
Total assets less current liabilities		**41,096**	41,970
Creditors: amounts falling due after more than one year		**(69)**	-
Provisions for liabilities	16	**(1,133)**	(3,125)
Net assets		**39,894**	38,845
Equity			
Called up share capital	18	**42,410**	42,410
Accumulated losses		**(2,516)**	(3,565)
Total equity		**39,894**	38,845

The financial statements on pages 9 to 30 were approved by the board of directors on 13 July 2020 and were signed on its behalf by:

G J Book
Director

Registered number: 03777795

TUV Rheinland UK Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Accumulated losses	Total equity
	£'000	£'000	£'000
Balance at 1 January 2018	**42,410**	**(7,315)**	**35,095**
Profit for the financial year	-	3,750	3,750
Total comprehensive income for the year	-	3,750	3,750
Balance at 31 December 2018	**42,410**	**(3,565)**	**38,845**
Change in accounting policy (note 23)	-	(4)	(4)
Restated balance at 1 January 2019	**42,410**	**(3,569)**	**38,841**
Profit for the financial year	-	1,053	1,053
Total comprehensive income for the year	-	1,053	1,053
Balance at 31 December 2019	**42,410**	**(2,516)**	**39,894**

The accounting policies and the notes on pages 12 to 30 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2019

1 General information

TUV Rheinland UK Limited ('the company') provides services for product assurance certification primarily in the UK and Europe, but also sells services into other markets. The company also acts as an investment holding company for its wholly owned subsidiaries, Risktec Solutions Limited, 2M Consultancy Ltd and TUV Rheinland OpenSky Limited.

The company is a private company limited by shares and is incorporated in England, the United Kingdom. The address of its registered office is One Cranmore Drive, Shirley, Solihull, West Midlands, England, B90 4RZ.

2 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

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined by the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The company is a qualifying entity for the purposes of FRS 101. Note 27 gives details of the company's ultimate parent undertaking and from where it's consolidated financial statements prepared in accordance with IFRS may be obtained.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed later in this note 2.

The Company has applied IFRS 16 'Leases' (which replaces IAS 17 'Leases') for the first time for the reporting period commencing 1 January 2019.

- The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101: IFRS 7, 'Financial Instruments: Disclosures'; IAS 1, 'Presentation of financial statements'; IAS 7, 'Statement of cash flows'; Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; Paragraph 110, 113 (a), 114, 115, 118, 119 (a)-(c), 120-127 and 129 of IFRS 15, 'Revenue from contracts with customers'; the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'; and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

As mentioned above the financial statements have been prepared on a going concern basis which assumes the company will continue to trade. The validity of this latter assumption is dependent upon support from the company's intermediate parent undertaking, TUV International GmbH, on which the company is wholly reliant. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. The intermediate parent undertaking has indicated their intention to provide continued financial support for the next twelve months from the date of signing the financial statements.

Consolidation

The company has taken the exemption not to prepare consolidated financial statements under Section 400 of the Companies Act 2006 as the company is a wholly owned subsidiary of TUV Rheinland AG which prepares consolidated financial statements. As a result, the company is not required to present consolidated financial statements. The results below therefore relate to the company only.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Laboratory equipment	4-10 years
Office equipment and improvements	4-10 years

Investments in subsidiaries

Shares held in subsidiary undertaking are stated at cost less accumulated impairment losses.

Work in progress

Work in progress, for jobs that have yet to be completed, is valued at the lower of cost and estimated net realisable value.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment measuring expected credit losses for trade receivables.

Impairment of financial assets carried at amortised cost

The company has two types of financial assets that are subject to the expected credit loss model: - trade receivables; and intercompany receivable balances with fellow subsidiaries and associated undertakings. The expected future credit loss is calculated by multiplying the probability of default by the carrying amount of the financial asset (exposure at default) and the expected loss ratio (loss given default). The company applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables, which uses a lifetime expected credit loss allowance. For amounts owed by group undertakings, the company first determines the 12-month expected credit loss, with the lifetime expected credit loss being recognised in the event of a significant increase in default risk.

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Provisions

Provisions for contingent consideration on acquisitions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Management applies some judgement into the timing and quantum of contingent consideration, and this is reviewed on an annual basis.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services supplied. Revenue represents the amounts (excluding value added tax) derived from the provision of product assurance certification services during the year. The company transfers control of its performance obligation for work performed over time, as the company's performance does not create an asset with an alternative use and there is an enforceable right to performance completed to date. Revenue from providing good and services is therefore recognised in the accounting period in which the work is performed, and the services provided to the customer.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable is charged to the Income statement.

2 Accounting policies (continued)

Taxation.

The tax charge/credit for the year represents the sum of the current tax and deferred tax.

The tax charge/credit for the year is based on the taxable losses on ordinary activities for the year. Deferred tax assets and liabilities are recognised for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax is calculated using the enacted tax rates that are expected to apply in the year in which the temporary difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income for the year that includes the enactment date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), rounded to the nearest thousand, which is also the company's functional currency.

(b) Transactions and balances

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

Financial instruments

Loans and receivables (including trade receivables) are primarily financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are reported in the statement of financial position under "Debtors: amounts falling due within one year." Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks based on expected credit losses.

Financial liabilities (including trade payables and borrowings) are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value net of transaction costs incurred. In subsequent periods, the amortisation and accretion of any premium or discount is included in finance costs/income.

New and amended standards adopted by the company – IFRS 16 'Leases'

IFRS 16 'Leases' (which replaces IAS 17 'Leases') is a new accounting standard effective for the year ended 31 December 2019. The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The impact of this standard has been disclosed within note 23. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 that have a material impact on the company.

2 Accounting policies (continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the company determined whether the arrangement was or contained a lease based on the assessment of the criteria set out in Interpretation 4 '*Determining whether an Arrangement contains a Lease*'.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Policy applicable from 1 January 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether: the contract involves the use of an identified asset; the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the company has the right to direct the use of the asset. This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 5 years. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing, and makes adjustments specific to the lease (e.g. term, country, currency and security).

2 Accounting policies (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these financial statements, and the reported amounts of revenues and expenses during the year. These judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in these financial statements.

Areas of significant judgement in application of accounting policies and critical accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers expected credit loss rates based on the ageing profile of receivables and historical experience. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically. See note 14 for the net carrying amount of the receivables and the associated impairment provision.

(b) Provision for deferred and contingent consideration

The company makes an estimate of the provision for deferred and contingent consideration. Contingent consideration is due under earn-out agreements. When assessing this provision, management considers factors including the expected profitability of the acquired company and historical experience. The liability is booked over the vesting period of the employees involved as the payments require continued employment in the subsidiary. See note 17 for the disclosures related to deferred and contingent consideration.

(c) Impairment of investments

The company considers the judgement as to whether investments are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. See note 12 for disclosures.

3 Financial instruments

The company has no financial assets measured at fair value through the income statement.

4 Revenue

Revenue and result before tax are attributable to the one principal activity of the company.

An analysis of revenue is given below:

	2019	2018
	£'000	£'000
United Kingdom	**2,466**	1,703
Rest of Europe	**1,291**	994
Rest of the World	**203**	146
	3,960	2,843

5 Other operating expenses

	2019	2018
	£'000	£'000
Administrative expenses	**3,527**	2,986
Net (gain) / loss on foreign currency translation	**(1)**	13
	3,526	2,999

6 Operating profit

Operating profit is stated after charging / (crediting):

		2019	2018
		£'000	£'000
Depreciation of owned property, plant and equipment included in other operating charges (note 11)		**86**	85
Depreciation charge on right of use assets included in other operating charges (note 10)		**100**	-
Loss on disposal of property, plant and equipment		**73**	-
Auditors remuneration	- audit fees	**26**	26
	- non audit fees (tax compliance services)	**6**	6
Dividends received from subsidiary undertaking (note 12)		**(1,732)**	(5,000)

7 Particulars of employees and directors' emoluments

The average monthly number of staff employed during the financial year amounted to:

	2019 Number	2018 Number
Administrative	**15**	15
Management	**15**	14
Technical	**25**	20
	55	49

The aggregate payroll costs of the above were:

	2019 £'000	2018 £'000
Wages and salaries	**3,074**	2,805
Social security costs	**343**	311
Other pension costs (note 19)	**161**	142
	3,578	3,258

No director received any aggregate emoluments from the company during the year as they are directors of a number of subsidiaries within the Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. In 2018 one director received aggregate emoluments of £114,000 excluding pension contributions of £6,000 and compensation for loss of office of £70,000.

8 Net finance (income) / expense

	2019 £'000	2018 £'000
Interest receivable from group undertakings	**(307)**	(64)
Interest payable to group undertakings	**241**	178
Bank interest payable	**4**	-
Oher interest payable	**2**	1
	(60)	115

9 Income tax expense

	2019 £'000	2018 £'000
UK corporation tax on profit for the year	-	-
Total current tax	-	-
Origination and reversal of timing differences (ACA & other)	-	-
Total deferred tax	-	-
Total income tax expense	-	-

Factors affecting current tax charge

The tax assessed on the profit for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%) due to the following

	2019 £'000	2018 £'000
Profit before taxation	**1,053**	3,750
Profit multiplied by the standard rate of tax	**200**	713
Expenses not deductible for tax purposes	**5**	13
Income not taxable	**(329)**	(950)
Group relief surrendered for no charge	-	-
Movement in deferred tax not recognised	**124**	224
Total income tax expense	-	-

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

There is an unrecognised deferred tax asset at 17% (2018: 17%) of £366,000 (2018: £427,877) of which £351,000 (2018: £411,076) relates to tax losses and £15,000 (2018: £16,801) relates to other timing differences. This deferred tax asset is only be recognised where it is expected that the asset will be recoverable in the foreseeable future. To the extent that unrecognised losses prove to be recoverable in the future, such recognition will reduce the tax charge accordingly. The deferred tax asset has not been recognised as it is not considered probable that sufficient taxable profit will be available to allow recovery of the deferred tax asset until consistent profitability is achieved.

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Right-of-use assets

(i) Amounts recognised in the balance sheet:

Right of use assets	31 Dec 2019 £'000	31 Dec 2018 £'000
Buildings	137	-
Vehicles	50	-
	187	-

Lease liabilities	31 Dec 2019 £'000	31 Dec 2018 £'000
Current	109	-
Non-current	69	-
	178	-

Additions to the right-of-use assets during the 2019 financial year were £46,000.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right of use assets	2019 £'000	2018 £'000
Buildings	76	-
Vehicles	24	-
	100	-

11 Property, plant and equipment

	Fixtures, fittings, tools and equipment
	£'000
Cost	
At 1 January 2018	527
Additions	43
At 31 December 2018 and 1 January 2019	570
Additions	20
Disposals	(196)
At 31 December 2019	**394**
Accumulated depreciation	
At 1 January 2018	209
Charge for the year	85
At 31 December 2018 and 1 January 2019	294
Charge for the year	86
Disposals	(123)
At 31 December 2019	**257**
Net book value	
At 31 December 2019	**137**
At 31 December 2018	276
At 31 December 2017	318

12 Investments

	£'000
Cost	
At 1 January 2018	54,026
Capital contribution regarding 2M Consultancy Ltd	1,141
At 31 December 2018 and 1 January 2019	55,167
Capital contribution regarding 2M Consultancy Ltd	1,142
At 31 December 2019	56,309
Accumulated impairment	
At 1 January 2018 and 1 January 2019	12,500
Impairment charge	-
At 31 December 2019	12,500
Net book amount at 31 December 2019	**43,809**
Net book amount at 31 December 2018	42,667
Net book amount at 31 December 2017	41,526

Investments represent 100% of the ordinary share capital of Risktec Solutions Limited, 2M Consultancy Ltd and TUV Rheinland OpenSky Limited, all of which are registered in England.

The directors believe that the carrying value of the investments is supported by their value in use. The value in use was calculated using the Discounted Cash Flow ("DCF") method, by discounting the operational cash flows generated for each Cash Generating Unit (CGU) of Risktec Solutions Limited and 2M Consultancy Ltd separately (net of taxation) at a discount rate representing the weighted average cost of capital. The main assumptions adopted to calculate the recoverable amount are the discount rate (WACC), the annual terminal growth rate, and the forecast cash flows during the period of reference.

For both businesses, the WACC used to discount the future cash flows is equal to 6.01% and includes an additional country risk premium of 0.69%. This rate represents the financial structure of the group to which the cash-generating units belong, and the cost of the financial means used, including both debt and equity. The annual terminal growth rate is 0%. The value in use was obtained by discounting the cash flows included in the 2020/2024 approved plan and then a terminal value, which were estimated based on past economic and income performance and future expectations.

The results of the impairment tests carried out show that the estimated value in use of each of the two CGUs exceeds the carrying amount included above at the reference date. Both businesses have been impacted by COVID-19 in 2020, but this is considered a non-adjusting post-balance sheet event (see note 26).

12 Investments (continued)

Risktec Solutions Limited – On 28 February 2014, the company acquired 100% of the ordinary shares of Risktec Solutions Limited, a company headquartered in Warrington, that provides risk and safety services and offers technical training and education to highly regulated industrial sectors around the world. The registered office of the company is Wilderspool Park, Greenalls Avenue, Warrington, Cheshire, WA4 6HL.

Deferred and contingent consideration was payable in the three-year vesting period following the date of acquisition and is provided for in note 17. The associated capital contribution to the subsidiary undertaking during the year was £nil (2018: £nil).

Following difficult trading conditions experienced in 2016 an impairment review was completed and an impairment charge of £12,500,000 was charged to the income statement. No further impairment charge was required in 2018 and 2019 following updated impairment assessments. On 31 December 2018 the company received a dividend of £5,000,000 from Risktec Solutions Limited which was added to the cash pool facility balance in amounts owed by group undertakings.

TUV Rheinland OpenSky Limited – On 27 May 2014, the company acquired one ordinary share being 100% of the ordinary shares of TUV Rheinland OpenSky Limited for £1. The company provides independent IT consulting services. The company's registered office is One Cranmore Drive, Shirley, Solihull, B90 4RZ.

On 28 April 2017 the trade, assets and liabilities of TUV Rheinland OpenSky, Limited were hived-up into 2M Consultancy Ltd for book value which was a net liability position of £1,194,000. TUV Rheinland OpenSky, Limited has now been liquidated and dissolved on 6 December 2019.

2M Consultancy Ltd – On 28 April 2017 the company acquired 2M Consultancy Ltd, a company that provides independent IT consulting services, for initial cash consideration of £6,352,000. A further payment of £35,000 was made on finalisation of completion accounts.

Contingent consideration was payable in the three-year vesting period following the date of acquisition and is provided for in note 17. The associated capital contribution to the subsidiary undertaking during the year was £1,142,000 (2018: £1,141,000 for the second year and now paid).

During the year, the company received a dividend of £1,732,000 from 2M Consultancy Ltd which was added to the cash pool facility balance in amounts owed by group undertakings.

The company's registered office is One Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ.

The directors believe that the carrying value of investments is appropriate and is supported by underlying net assets or trading.

13 Inventories

	2019	2018
	£'000	£'000
Work in progress	**188**	135

14 Trade and other receivables

	2019	2018
	£'000	£'000
Trade and other receivables	849	662
Amounts owed by group undertakings	10,317	8,935
Prepayments and accrued income	224	175
	11,390	9,772

Amounts owed by group undertakings are unsecured, interest free and repayable on demand, except for a cash pool balance with Risktec Solutions Limited for £8,233,000 (2018: £8,422,000) which earns interest at a variable rate of 0.5% (2018: 0.5%) and with 2M Consultancy Ltd for £1,603,000 (2018: £nil) which earns interest at a variable rate of 0.5% under a loan facility agreements.

Trade receivables and amounts owed by group undertakings are stated after loss allowances of £65,000 (2018: £27,000) and £nil (2018: £nil) respectively. The expected credit loss provisions required for cash pool balances are not considered material.

15 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Bank overdrafts	368	-
Lease liabilities (note 10)	109	-
Trade creditors	52	20
Amounts owed to group undertakings	13,605	10,843
Other creditors	97	59
Taxation and social security	105	82
Accruals and deferred income	279	384
	14,615	11,388

Amounts owed to group undertakings are unsecured and repayable on demand. These balances are a mixture of interest free and interest-bearing amounts. In particular, £10,094,000 (2018: £9,895,000) is owed to TR International GmbH and £3,145,000 (2018: £698,000) to TUV Rheinland Holding AG under the cash pool loan facility arrangement and these amounts bear interest at a variable rate of 2% (2018: 2%) per annum.

16 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Lease liabilities (note 10)	69	-
	69	-

17 Provisions for liabilities

	2019	2018
Deferred and contingent consideration	£'000	£'000
Current	1,133	3,125
Non-current	-	-
	1,133	3,125

18 Movement in deferred and contingent consideration

	2019	2018
	£'000	£'000
At 1 January 2019	3,125	3,193
Capital contributions received	1,142	1,141
Utilised in the year and other movements	(3,134)	(1,209)
At 31 December 2019	1,133	3,125

As mentioned in note 12, the company acquired 100% of the ordinary shares of Risktec Solutions Limited and 100% of the ordinary shares of 2M Consultancy Ltd. Deferred and contingent consideration was payable in the three years following the date of acquisition.

19 Pensions

The company operates a defined contribution scheme for certain employees. In addition, contributions are made to personal pension schemes for certain other employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £161,000 (2018: £142,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

20 Called up share capital

	2019	2018
	£'000	£'000
Called up, allotted and fully paid		
42,410,000 (2018: 42,410,000) ordinary shares of £1 each	**42,410**	42,410

21 Contingencies

There were no contingent liabilities that should be disclosed at 31 December 2019 (2018: none).

22 Commitments under operating leases

At 31 December 2019 the company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2019	2018
	£'000	£'000
Not later than one year	-	115
Later than one year and not later than five years	-	89
	-	204

At 31 December 2019, the lease commitments have been recognised within liabilities (see notes 15 and 16) as a result of adopting IFRS 16 'Leases'.

23 Changes in accounting policies

The company has adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.78%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted

by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and Interpretation 4 'Determining whether an Arrangement contains a Lease'.

23 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	2019
	£'000
Operating lease commitments disclosed as at 31 December 2018	204
Less short-term leases and low value leases as a liability	(7)
Revised operating lease commitments disclosed as at 31 December 2018	197
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(24)
Lease liability recognised as at 1 January 2019	173
Of which are:	
Current lease liabilities	106
Non-current lease liabilities	67
	173

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by £169,000.
- lease liabilities – increase by £173,000.

The net impact on retained earnings on 1 January 2019 was a decrease of £4,000.

24 Related party transactions

As the company is a wholly owned subsidiary of TUV Rheinland AG, the company has taken advantage of the exemption contained in FRS 101 and has, therefore, not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of TUV Rheinland AG, within which this company is included, can be obtained from the address given in note 27.

25 Capital commitments

There were no capital commitments at 31 December 2019 (2018: none).

26 Subsequent events and impact of COVID-19

There are no significant events after the end of the reporting year other than the impact of COVID-19 (2018: none).

In 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time has spread across China and to a significant number of other countries including the UK. The company considers the emergence and spread of COVID-19 to be a non-adjusting post-balance sheet event. We expect the coronavirus pandemic to have a negative impact on the trend in business of the individual business streams (including subsidiary undertakings). A precise estimate of the economic impacts of the coronavirus pandemic on the respective business streams is not possible at this point in time.

27 Controlling parties

The immediate parent company is TUV International GmbH, a company incorporated in Germany.

The company which heads the smallest and largest group of undertakings for which group financial statements are drawn up is TUV Rheinland AG, a company incorporated in Germany.

The ultimate parent undertaking and ultimate controlling party is TUV Rheinland Berlin Brandenburg Pfalz e.V, an unincorporated body.

The financial statements of TUV Rheinland AG, the operational holding company, can be obtained from TUV International GmbH, Am Grauen Stein, D-51105, Cologne, Germany.