

Registered No: 00126931

Hutchinson (UK) Limited

Report and Financial Statements

31 December 2019



Directors

M Marquaire
Isabelle Keiffer
Roderick Scotto

Auditors

Ernst & Young LLP
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Birmingham
B4 6HQ

Bankers

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Registered office

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Directors' Report

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

Results and dividends

The profit for the year amounted to £50,000 (2018: Loss £139,000).

The company did not pay any dividend in 2019 (paid in 2018: Nil).

The directors do not propose payment of dividends relating to the year ended 31 December 2019.

Principal activities review of the business and future development

The company is a wholly owned subsidiary of the TOTAL SE Group. The principal activity of the company continues to be acting as a UK sales agent, charging commissions to other group subsidiaries for sales work performed on their behalf. The company expects to continue in this activity for the foreseeable future.

Post Balance Sheet Events

Following the outbreak of Coronavirus ("Covid-19"), which the World Health Organisation declared to be pandemic on 11 March 2020, management has put in place a response plan and is closely monitoring the evolution of this pandemic and how it may affect the Company. As such, measures were implemented in March to protect the health and safety of its employees, customers and suppliers.

Given this was an event occurring after the Balance Sheet date, management consider this to be a non-adjusting event.

Whilst the company noted a reduction of commission sales in 2020 due to COVID19 during the months of April to June they increased back to levels more in-line with the beginning subsequently to this. The operations have been minimally impacted, and so all recharge income remains in line with operating costs. The Directors feel that the outlook remains positive.

The extent to which the COVID 19 pandemic impacts the business, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the outbreak. Even at its current scope, together with measures that have been taken globally to counteract it, the COVID 19 pandemic could materially and adversely impact the business, financial condition and results of operations including, without limitation, through a major decline in economic activity resulting in a decline in demand for the products and services, compromised employee health and workplace productivity, government ordered business closures and threats to the business continuity of the suppliers, customers and/or partners. The parent will support the company through any difficulties it may have as a result of this.

There have been no other events since the reporting date which materially affect the position of the Company.

Principal risks and uncertainties

The company monitors all aspects of risk including economic risk, competition and changes in market conditions, financial risk, customer and supplier dependencies.

Market risk:

The company depends, to a large extent, on the strength of the global automotive market and, in particular, the vehicle production volumes of key customers.

Pension risk:

The company faces the continuing burden of pension liabilities. The obligations and expense recognized in our financial statements for these plans is actuarially determined based on certain assumptions which are driven by market conditions, including interest rates. Additionally, market conditions impact the underlying value of the assets held by the plans for settlement of these obligations. Further declines in interest rates or the market values of the securities held by the plans, or certain other changes, could negatively affect the funded status of these plans and the level and timing of future contributions.

Policy and practice on payment of creditors

The company follows a strategy of having mutually beneficial long-term relationship with suppliers. The policy is to agree terms of trading (including payment) and to abide by them.

Going concern statement

The company has net current assets of £3,003,000 and a deferred tax asset of £1,780,000. The company is expected to operate at an approximate break-even level throughout 2021, with the intention of returning to long-term profitability. The company has net liabilities of £5,219,000 due to the defined benefit pension liability of £9,894,000. The pension liability is long term and does not require full settlement within the foreseeable future. As disclosed in note 2 to the accounts, the sponsoring employer of the group scheme has agreed a recovery plan with the scheme trustees, as a result of which the company is expected to make annual deficit contributions of £1,488,000 per annum from 2020 until 2023. The company's current assets comprises primarily the company's group cash-pooling account, which is considered to be readily convertible into cash. Accordingly, the directors consider that they have available resources to fund substantially all of these deficit contributions, following which they anticipate that subsequent regular contributions will be financed from the future profitability of the company.

Having considered all the above, including the wider groups current financial position and its willingness to provide financial support to the Company as needed, the directors remain confident in the long-term future prospects of the Company. The directors have received a letter of support from the parent, confirming that it will provide financial support to the Company if needed for a period of at least 12 months from the date of approval of the Balance sheet, in order to allow the Company to continue to operate as a going concern. The directors therefore consider that COVID 19 has no impact on the Groups ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served the company during the year were as follows:

I Keiffer
M Marquaire
R Scotto

Secretaries

There were no company secretaries serving the company during the year.

The group holds insurance to protect the 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 is in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware.

Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Preparation of directors' report

The Directors' report has been prepared in accordance with the special provisions in S415A of Companies Act 2006 relating to small entities.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



R. Scotto
Director

18 December 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transaction and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Hutchinson (UK) Limited

Opinion

We have audited the financial statements of Hutchinson (UK) Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report

to the members of Hutchinson (UK) Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the Directors Report in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditors' report

to the members of Hutchinson (UK) Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Jamie Dixon, Senior statutory auditor
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

18 December 2020

Profit and loss account

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	3	1,427	1,875
Staff Costs	5	(519)	(624)
Depreciation and Amortisation	12	(9)	-
Other Operating Expenses		(614)	(1,209)
Operating profit	4	285	42
Interest receivable	6	14	13
Other finance expense	7	(213)	(217)
Profit / (Loss) on ordinary activities before taxation		86	(162)
Taxation credit / (charge)	8	(36)	23
Profit / (Loss) for the financial year		50	(139)

The profit and loss account relates to continuing operations.

Statement of other comprehensive income

for the year ended 31 December 2019

	2019 £000	2018 £000
Profit / (loss) for the financial year	50	(139)
Actuarial (losses) / gains recognised on the pension plan	(2,402)	1,291
Tax on actuarial (losses) / gains	408	(219)
Total comprehensive income relating to the year	(1,944)	933

Balance sheet

at 31 December 2019

		2019 £000	2018 £000
	Notes		
Non current assets			
Deferred tax asset	8c	1,780	1,438
Right of Use of Asset	12	59	-
		<u>1,839</u>	<u>1438</u>
Current assets			
Debtors	9	3,107	3,640
Current Liabilities			
Creditors	10	(71)	(334)
Lease Commitments	12	(33)	-
		<u>3,003</u>	<u>3,306</u>
Net current assets		<u>4,842</u>	<u>4,744</u>
Total assets less current liabilities			
Provisions for liabilities and charges	11	-	(50)
		-	(50)
Lease Commitments	12	(167)	-
Defined Benefit pension liability	14	(9,894)	(7,969)
		<u>(5,219)</u>	<u>(3,275)</u>
Net liabilities			
Capital and reserves			
Called up share capital	13	87	87
Retained earnings		(5,306)	(3,362)
		<u>(5,219)</u>	<u>(3,275)</u>
Shareholders' deficit			

The financial statements were approved by the board of Directors and signed on its behalf:


R. Scotto
Director

18 December 2020

Statement of changes in equity

for the year ended 31 December 2019

	<i>Share Capital</i>	<i>Profit and loss account</i>	<i>Total shareholders deficit</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2018	87	(4,295)	(4,208)
Loss for the year	-	(139)	(139)
Other Comprehensive Income	-	1,072	1,072
At 31 December 2018	87	(3,362)	(3,275)
Profit for the year	-	50	50
Other Comprehensive Income	-	(1,994)	(1,994)
At 31 December 2019	87	(5,306)	(5,219)

Notes to the financial statements

at 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Hutchinson UK Limited (the "company") for the year ended 31 December 2019 were authorised for issue by the board of directors and the balance sheet was signed on the board's behalf by R Scotto. Hutchinson UK Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results of the company are included in the consolidated financial statements of TOTAL S.E. which are available from 2 Place Jean Millier, La Defense 6, 92078 Paris, La Defense Cedex, France.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company has taken advantage of the following disclosure exemptions available under FRS 101:

- (a) the requirements of IAS 7 Statement of Cash Flows; and
- (b) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (c) the requirements of IAS 8 disclosures in respect of new standards and interpretations that have been issued but are not yet effective; and
- (d) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - a. paragraph 79(a)(iv) of IAS 1;
 - b. paragraph 73(c) of IAS 16 Property, Plant and Equipment;
 - c. paragraph 118(c) of IAS 38 Intangible Assets;
- (f) The requirements of IFRS 7 Financial Instruments: Disclosures; and
- (g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement; and
- (h) The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where applicable, equivalent disclosures have been included in the consolidated financial statements of the group (Total SE) in which the entity is consolidated and these may be obtained from 2 Place Jean Millier, La Defense 6, 92078 Paris, La Defense Cedex, France.

Going concern

The directors have received a letter of support from the parent, confirming that it will provide financial support to the Company if needed for a period of at least 12 months from the date of approval of the Balance sheet, in order to allow the Company to continue to operate as a going concern, as such the accounts have been prepared on a going concern basis.

Notes to the financial statements

at 31 December 2019

Accounting policies (*Continued*)

Judgements and key sources of estimation uncertainty

The preparation of financial statements 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 revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Pension and other post-employment benefits

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the complexity of valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Fixed assets and depreciation

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises of the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Fixtures & Fittings	- 3 to 10 years
Computer Software	- 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the de-recognition of the asset is included in the income statement in the period of de-recognition.

Pensions and other post-employment benefits

The company participates in the Total UK Pension Plan, a defined benefit pension plan in the UK. The assets and liabilities of the Total UK Pension Plan form a general pool of assets from which benefits of all qualifying members may be settled. For accounts purposes these assets are allocated to Business Units and are tracked separately. The assets of the Plan are held separately from those of the participating employers.

Notes to the financial statements

at 31 December 2019

Accounting policies (*Continued*)

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

The Total Pension Company UK Limited, the principal employer, has agreed a Recovery Plan with the Trustees between 2015 and 2021. Lump sum deficit contributions of £849,000 were made during 2018 and 2019, £1,488,000 will be paid each year between 2020 and 2023.

The company also operates a defined contribution pension plan. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the plan.

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement in other operating expenses.

Trade and other debtors

Trade and intercompany debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoice value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the financial statements

at 31 December 2019

Accounting policies (*Continued*)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to the financial statements

at 31 December 2019

Accounting policies (Continued)

Right of use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Right of use liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Future Accounting Standards

There are no new accounting standards to be considered for the next financial year.

3. Turnover

The turnover comprises the value of sales excluding VAT, of goods and services in the normal course of business. All turnover relates to one class of business.

An analysis of turnover by geographical market is given below:

	2019	2018
	£000	£000
Rest of Europe	1,427	1,875
	<u>1,427</u>	<u>1,875</u>

Notes to the financial statements

at 31 December 2019

4. Operating profit

This is stated after charging:

		2019	2018
		£000	£000
Auditors' remuneration	- audit services	15	13
Operating lease rentals	- motor vehicles and office equipment	39	35
	- land and buildings	40	43

5. Staff costs

	2019	2018
	£000	£000
Wages and salaries	434	530
Social security costs	60	64
Other pension costs (Note 14)	25	30
	519	624

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

	2019	2018
Sales	11	11

Directors' emoluments

Emoluments for the directors have been borne by another group company as they are also directors of a number of companies within the Total S.E. group. No apportionment of directors' emoluments has been provided as it is impractical to do so.

6. Interest receivable

	2019	2018
	£000	£000
Interest receivable from group undertakings	14	13

7. Other finance expense

	2019	2018
	£000	£000
Interest on pension plan assets	593	511
Interest on pension plan liabilities	(805)	(728)
Financial interest on lease debt	(1)	-
	(213)	(217)

Notes to the financial statements

at 31 December 2019

8. Taxation

(a) Total tax expense recognised in the profit and loss account

The tax charge is made up as follows:

	2019 £000	2018 £000
<i>Current tax:</i>		
UK corporation tax	-	-
Adjustments in respect of prior periods	(30)	-
Total current tax	(30)	-
<i>Deferred tax:</i>		
Adjustments in respect of prior periods	(120)	-
Pension scheme deferred tax movement	81	47
Origination and reversal of timing differences	105	(70)
	66	(23)
Total tax (credit) / charge	36	(23)

(b) Reconciliation of the total tax charge

	2019 £000	2018 £000
Profit / (loss) before taxation	86	(162)
Current tax at 19.00% (2018: 19.00%)	16	(31)
Non-deductible expenses	162	1
Group relief surrendered	30	3
Tax rate changes	(22)	4
Adjustments in respect of prior periods	(150)	-
Total tax (credit) / charge	36	(23)

(c) Deferred tax

	2019 £000	2018 £000
Capital allowances timing differences	2	3
Pension timing difference	96	72
Other timing differences	-	8
Deferred tax asset	98	83
Pension plan deferred tax asset	1,682	1,355
Total deferred tax asset	1,780	1,438
		£000
At 1 January 2019 – Asset		1,438
Charge to the profit and loss account for the year		(66)
Credit included in Other Comprehensive Income for the year		408
At 31 December 2019 – Asset		1,780

Notes to the financial statements

at 31 December 2019

8. Taxation (Continued)

The amount included in Other Comprehensive Income for the year is in respect of pension costs accounted for under IAS19(R) - *Retirement Benefits*.

(d) Factors affecting future tax charges

A change to the UK corporation tax rate was substantively enacted on 17 March 2020. The corporation tax main rate for the period beginning 1 April 2020 will remain at 19%. As the change was not substantively enacted at the balance sheet date the effect is not included in these financial statements

The company's current taxation charge will be affected by the level of non-deductible pension costs (including net finance expenses) recorded under IAS 19. To the extent that this expense exceeds the amounts of employer's pension contributions payable (which are tax deductible) the current taxation charge will be greater than that derived by applying the standard taxation rate to pre-tax profits.

9. Debtors

	2019	2018
	£000	£000
Amounts owed by group undertakings	2,938	2,701
Other debtors	15	26
Net investment in sublease	140	-
Prepayments and accrued income	14	862
Corporation Tax	-	51
	<u>3,107</u>	<u>3,640</u>

2018 Prepayments and accrued income includes a prepayment of £849,000 made to Total Pension Company UK Limited in relation to 2019 lump sum deficit payment.

Included within the net investment is sublease is an amount of £118k which is due over 1 year.

10. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	13	54
Amounts owed to group undertakings	13	7
Other taxation and social security	4	3
Corporation tax	-	-
Other Creditors	27	-
Accruals and deferred income	14	270
	<u>71</u>	<u>334</u>

Amounts owed to group undertakings are repayable on intercompany terms, usually 60 days. Trade payables are non-interest bearing and usually repayable between 30 and 90 days.

Notes to the financial statements

at 31 December 2019

11. Provisions for liabilities and charges

	<i>Restructuring</i>
	<i>£000</i>
At 1 January 2019	50
Movements within the year	(50)
At 31 December 2019	-

The restructuring provision is in respect of costs relating to the closure of part of the company's production facility.

12. Right of Use Asset and Liability

The company has certain leases of pool vehicles with lease terms of 12 months or less and leases of office equipment with low value for which the Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases in terms of IFRS 16 'Leases'.

	<i>2019</i>
	<i>£000</i>
Operating lease commitments disclosed as at 31 December 2018	52
Discounted using the incremental borrowing rate at the date of initial application 3.49%	(2)
Lease liabilities recognised as at 1 January 2019	50

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

	<i>31 Dec 2018</i> <i>(pre IFRS 16)</i> <i>£000</i>	<i>Impact of IFRS</i> <i>16</i> <i>£000</i>	<i>1 January 2019</i> <i>(including IFRS 16)</i> <i>£000</i>
Right of use assets	50	(24)	26
Total non-current assets			
Lease liabilities	-	(0)	(0)
Total current liabilities			
Lease liabilities	-	(26)	(26)
Total non-current liabilities			
Net assets	50	(50)	-

The net impact on retained earnings on 1 January 2019 was £nil.

Notes to the financial statements

at 31 December 2019

12. Right of Use Asset and Liability (*Continued*)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	<i>2019</i>
	£000
As at 1 January 2019	26
Additions	42
Terminations	-
Depreciation expense	(9)
As at 31 December 2019	<u>59</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<i>2019</i>
	£000
As at 1 January 2019	26
Additions	181
Terminations	-
Accretion of interest	1
Payments made	(8)
As at 31 December 2019	<u>200</u>
Current	33
Non-Current	167

The following are the amounts recognised in profit or loss:

	<i>2019</i>
	£000
Depreciation expense of right of use asset	9
Expenses relating to short term lease	66
Expense relating to lease of low-value assets	1
Interest expense on lease liability	1
	<u>77</u>

Notes to the financial statements

at 31 December 2019

12. Right of Use Asset and Liability (*Continued*)

Set out below are the discounted future rental payments for the remaining lease term:

	<i>2019</i>
	<i>£000</i>
Amounts due within 1 year	33
Amounts due between 2 to 3 years	120
Amounts due after 3 years	47
	<u>200</u>

13. Share capital

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

	<i>Allotted, called up and fully paid</i>			
	<i>2019</i>		<i>2018</i>	
	No.	£000	No.	£000
Ordinary shares of £1 each	86,723	87	86,723	87

14. Pension commitments

The company participates in the Total UK Pension Plan ('the Plan'), a defined benefit pension plan in the UK. For the purposes of providing the accounting information required by IAS 19 - the employers participating in the Plan are grouped into Business Units. The assets and liabilities allocated to each Business Unit are tracked separately. The Plan is notionally sectionalised and is not a sectionalised plan for the purposes of the Pensions Act 1995 and the Pensions Act 2004.

The company accounts for the assets and liabilities allocated to the Business Unit as a defined benefit pension plan. The Plan is funded by the payment of contributions to a separate trustee administered fund.

During the year the total employers contributions paid into the plan were £916,000 (2018 - £907,000). An amount of about £1,548,000 is expected to be paid in the year ending 31 December 2020, this includes a lump sum deficit payment of £1,488,000.

Aon Hewitt Limited took into account the requirements of IAS 19 in order to assess the liabilities of the plan at 31 December 2019. Plan assets are stated at their market value at the respective balance sheet dates.

The Guaranteed Minimum Pension (GMP) equalisation impact is assumed to be 0.5% of DBO for the 2019 disclosures. This is not based on formal calculations in respect of the Total UK Pension Plan but has been adopted by Total to reflect a liability impact broadly consistent with that seen for the bulk of Aon's clients.

Notes to the financial statements

at 31 December 2019

14. Pension commitments (*Continued*)

The mortality assumptions are based on standard monthly tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 24 years if they are male, and for a further 22 years if they are female. For a member who retires in 20 years at age 65 the assumptions are that they will live on average for a further 24 years after retirement if they are male, and for a further 26 years after retirement if they are female.

As the defined benefit section is closed to new entrants, it is expected that the service cost (as a percentage of pensionable payroll) will increase as the members of the defined benefit section approach retirement.

The main financial assumptions used in evaluating the defined benefit obligation are:

	2019 %	2018 %
RPI Inflation assumption	3.50	3.50
Rate of increase in salaries	4.50	4.50
Discount rate for plan liabilities	3.00	2.50

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

The amounts recognised in the balance sheet are as follows:

	2019 £000	2018 £000
Assets at valuation:		
Equities	4,899	4,523
Buy-in Contract	10,187	10,564
Bonds	2,499	1,899
Properties	869	822
Derivatives / Investment Funds	1,552	1,423
Others	270	121
Total market value of assets	20,276	19,352
Present value of plan liabilities	(30,170)	(27,321)
Pension liability	(9,894)	(7,969)

During 2014 the pension scheme entered into a pension insurance buy-in arrangement with the Pension Insurance Corporation (PIC). PIC has taken over the financial responsibility for meeting the cost of a portion of the pension promise made by the pension fund to its members. However legally, the responsibility remains with the pension scheme.

The fair value of the Plan's assets, which are not intended to be realised in the short-term, may be subject to significant change before they are realised.

Notes to the financial statements

at 31 December 2019

14. Pension commitments (Continued)

The present value of the Plan's liabilities, which is derived from cash flow projections over long periods, is inherently uncertain. An analysis of the defined benefit cost for the year ended 31 December 2019 is as follows:

	2019	2018
	£000	£000
Current service cost	227	325
Net interest on defined benefit liabilities	212	217
Past Service Cost Curtailment	-	88
Net charge for the year	439	630

Analysis of amounts recognised in the Statement of Comprehensive Income:

	2019	2018
	£000	£000
Return on plan assets (excluding interest income)	549	(1,400)
Actuarial changes in demographic assumptions	794	-
Actuarial changes in experience on DBO	(932)	-
Actuarial changes in financial assumptions	(2,813)	2,691
Actuarial (losses) / gains recognised in the Statement of Comprehensive Income	(2,402)	1,291

Changes to present value of defined benefit obligation during the year:

	2019	2018
	£000	£000
At 1 January	27,321	29,680
Current service cost	227	325
Past Service Cost / Curtailment	-	88
Interest cost	805	728
Contributions by plan participants	13	15
Actuarial losses / (gains) on plan liabilities	2,951	(2,691)
Net benefits paid out	(1,147)	(824)
At 31 December	30,170	27,321

Notes to the financial statements

at 31 December 2019

14. Pension commitments (*Continued*)

Changes to the fair value of plan assets during the year:

	2019	2018
	£000	£000
At 1 January	19,352	20,143
Interest income on assets	593	511
Actuarial gains / (losses) on plan assets	549	(1,400)
Contributions by the employer	916	907
Contributions by plan participants	13	15
Net benefits paid out	(1,147)	(824)
At 31 December	20,276	19,352

Net defined benefit liability reconciliation:

	2019	2018
	£000	£000
Net defined benefit liability at 1 January	7,969	9,537
Defined benefit cost included in P&L	439	630
Total remeasurements included in OCI	2,402	(1,291)
Employer contributions	(916)	(907)
At 31 December	9,894	7,969

The company also operates a defined contribution plan for which the employers pension cost for the year amounted to £25,089 (2018 - £31,549).

Notes to the financial statements

at 31 December 2019

15. Ultimate parent company

At 31 December 2019, the company was a subsidiary undertaking of Hutchinson Holdings UK Limited, incorporated in the UK. This is itself a subsidiary of Hutchinson SA, incorporated in France.

The only group into which the results of the company are consolidated is that headed by Total S.E. the ultimate parent, which is incorporated in France.

16. Post Balance Sheet Event

Following the outbreak of Coronavirus ("Covid-19"), which the World Health Organisation declared to be pandemic on 11 March 2020, management has put in place a response plan and is closely monitoring the evolution of this pandemic and how it may affect the Company. As such, measures were implemented in March to protect the health and safety of its employees, customers and suppliers.

Given this was an event occurring after the Balance Sheet date, management consider this to be a non-adjusting event.

Whilst the company noted a reduction of commission sales in 2020 due to COVID19 during the months of April to June however have also saw an increase in the months following in line with the beginning of the year. The operations have been minimally impacted, and so all recharge income remains in line with operating costs. The Directors feel that the outlook remains positive.

The extent to which the COVID 19 pandemic impacts the business, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the outbreak. Even at its current scope, together with measures that have been taken globally to counteract it, the COVID 19 pandemic could materially and adversely impact the business, financial condition and results of operations including, without limitation, through a major decline in economic activity resulting in a decline in demand for the products and services, compromised employee health and workplace productivity, government ordered business closures and threats to the business continuity of the suppliers, customers and/or partners.