

Registration number: 02455748

TBS ENGINEERING LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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TBS ENGINEERING LIMITED
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TBS ENGINEERING LIMITED
COMPANY INFORMATION

Chairman	L E Gardiner
Directors	D J Longney V F Empson C Barge T Manenti
Company secretary	V F Empson
Registered office	Units 5 - 8 Lansdown Industrial Estate Gloucester Road Cheltenham Gloucestershire GL51 8PL
Bankers	Lloyds Banking Group plc 11-15 Monument Street London EC3V 9JA Fifth Third Bank 38 Fountain Square Plaza Cincinnati OH 45263 USA
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham Gloucestershire GL51 0UX

TBS ENGINEERING LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Principal activity

The principal activity of the company is the design and manufacture of a range of special purpose equipment for the lead acid battery industry, used primarily in the manufacture and assembly of car and truck batteries.

Directors of the company

The directors who held office during the year were as follows:

D J Longney

L E Gardiner - Chairman

V F Empson

C Barge

T Manenti

Financial instruments

The company's financial instruments, other than derivatives, comprise cash and liquid resources, and various other items such as trade debtors, trade creditors, etc that arise directly from its operations. The main purpose of these financial instruments is to finance the operations of the company. The company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures and staged payments. The nature of these financial instruments means that they are not subject to price risk or liquidity risk.

The company is exposed to foreign currency risk through making overseas sales and purchases. To minimise this foreign currency risk, the company enters into derivative financial instruments, in the form of forward currency contracts, for all major overseas sales which are not contracted in sterling. Although this gives a fair value risk in terms of exchange rate movements this is a risk the directors accept and keep under review to ensure that the company's exposure is kept to a minimum.

The company's business environment and risks, together with the details of mitigation and monitoring undertaken by the directors, are dealt with elsewhere in the Strategic Report. The company has a good order book for the remainder of 2015 together with appropriate financial resources. As a result, the directors believe the company is well placed to successfully manage risks despite the uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Future developments

The company continues to put considerable resource into the development of its products to maintain its position as the leader in the field of lead acid battery assembly equipment. In particular its efforts are focused on removing personnel from areas of lead in air and repetitive materials handling.

TBS ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

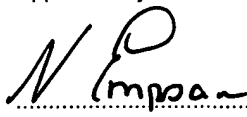
Disclosure of information to the auditor

Each director has taken 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. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Reappointment of auditors

Hazlewoods LLP have expressed their willingness to continue in office.

Approved by the Board on 21.9.15 and signed on its behalf by:


.....

V F Empson
Director

TBS ENGINEERING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report for the year ended 31 December 2014.

Business review

Fair review of the business

The company made a profit after tax of £7,838,047 (2013 - £6,568,994) from turnover of £29,844,521 (2013 - £25,829,824). The directors are pleased with the level of turnover and profits for the year. The company has net assets at 31 December 2014 of £10,753,423 (2013 - £8,908,233). Interim ordinary dividends have been paid in the year amounting to £5,000,000.

Business environment:

Consolidation within the industry has resulted in fewer large group structured customers with a group managed approach to capital investment. Much of this consolidation has been driven by the need to provide optimum efficient and cost reductions in a very competitive market place.

Within this competitive environment the company has differentiated itself from its competitors by providing:

- a) a complete one stop source of assembly equipment through the acquisition of previous competition;
- b) strong investment in innovative design to provide industry savings;
- c) high quality machinery manufacture delivering the end user with a critical quality product; and
- d) worldwide product availability, customer service and technical support.

Strategy:

The company's overriding objective is to achieve sustainable volume and margin through the provision of world class quality design and manufacture which is at the forefront of industry expectations.

A broad product range covering the technical requirements and budgets of all customers is key to sustaining volume in a cyclical environment.

Customer service is paramount to our continued success and key areas have been identified to ensure that this remains at the centre of our quality objectives.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2014	2013
Return on equity	%	80	70
Net profit margin before interest, investment income & tax	%	33	33
Current ratio (liquidity ratio representing current assets as a proportion of current liabilities)	Ratio	2	3
Employee retention (average service of permanent employees)	Years	11	11
Order intake for the year	£m	35	26

The above key performance indicators are those used by the directors in the monitoring of the company's performance. In addition, the company is subject to a monthly reporting regime to its immediate parent company which provides further analysis for the shareholders understanding of the development, performance or position of the business.

TBS ENGINEERING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Risks are reviewed by the board and appropriate processes put in place to monitor and mitigate them.

The key business risks affecting the company are set out below:

Competition:

The company operates in a competitive market. Pricing pressure is particularly prevalent which results in downward pressure to margins. Constant cost reduction re-evaluation by management is at the fore at remaining competitive as is innovative design protected and enforced by strong patent investment.

Employee:

The company's performance depends largely on its Managers & Directors. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the company's medium term performance. To mitigate these issues the company provides benefit packages which are linked to the company's results to retain both key individuals and maximise employee retention. Succession planning is also key in order to achieve minimal business interruption and focused employee development.

Approved by the Board on **21.9.15** and signed on its behalf by:



V F Empson
Director

TBS ENGINEERING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, the Strategic 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TBS ENGINEERING LIMITED

We have audited the financial statements of TBS Engineering Limited for the year ended 31 December 2014, set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TBS ENGINEERING LIMITED**

Matters on which we are required to report by exception

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

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

.....
Julian Gaskell (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditors

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 24/9/15

TBS ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Turnover	2	29,844,521	25,829,824
Change in stocks of finished goods and work in progress		120,002	219,037
Other operating income		-	36,443
Raw materials and consumables		(9,617,041)	(8,288,037)
Staff costs	5	(7,068,845)	(6,255,263)
Depreciation and other amounts written off tangible and intangible fixed assets		(166,587)	(158,736)
Other operating charges		(3,222,316)	(2,757,226)
Operating profit	3	9,889,734	8,626,042
Income from participating interests		153,941	-
Other interest receivable and similar income	7	48,931	37,425
Interest payable and similar charges	8	(91,000)	(53,000)
Profit on ordinary activities before taxation		10,001,606	8,610,467
Tax on profit on ordinary activities	9	(2,163,559)	(2,041,473)
Profit for the financial year	18	<u>7,838,047</u>	<u>6,568,994</u>

Turnover and operating profit derive wholly from continuing operations.

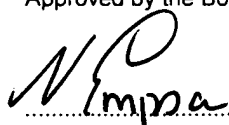
TBS ENGINEERING LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 DECEMBER 2014.**

	Note	2014 £	2013 £
Profit for the financial year		7,838,047	6,568,994
Actuarial loss recognised on defined benefit pension scheme	20	(1,305,000)	(930,000)
Deferred tax on actuarial gain/loss recognised on defined benefit pension scheme		284,550	170,250
Current tax deductions allocated to actuarial losses		27,593	-
Total recognised gains and losses relating to the year		<u>6,845,190</u>	<u>5,809,244</u>

TBS ENGINEERING LIMITED
(REGISTRATION NUMBER: 02455748)
BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014 £	2013 £
Fixed assets			
Tangible fixed assets	10	654,836	602,450
Investments	11	128,127	128,127
		<u>782,963</u>	<u>730,577</u>
Current assets			
Stocks	12	4,521,673	4,401,671
Debtors	13	3,724,462	2,143,057
Cash at bank and in hand		13,743,882	10,567,342
		<u>21,990,017</u>	<u>17,112,070</u>
Creditors: Amounts falling due within one year	14	<u>(8,875,012)</u>	<u>(6,713,944)</u>
Net current assets		13,115,005	10,398,126
Total assets less current liabilities		<u>13,897,968</u>	<u>11,128,703</u>
Provisions for liabilities	15	<u>(104,625)</u>	<u>(251,000)</u>
Net assets excluding pension liability		13,793,343	10,877,703
Net pension liability	20	<u>(3,039,920)</u>	<u>(1,969,470)</u>
Net assets		<u>10,753,423</u>	<u>8,908,233</u>
Capital and reserves			
Called up share capital	16	1,229,002	1,229,002
Share premium account	18	296,923	296,923
Profit and loss account	18	9,227,498	7,382,308
Shareholders' funds	19	<u>10,753,423</u>	<u>8,908,233</u>

Approved by the Board and authorised for issue on **21.9.15** and signed on its behalf by:



V F Empson
Director

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, adopting the following principal accounting policies all of which are in accordance with the applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been consistently applied (except otherwise stated).

Turnover

Turnover represents the amounts excluding value added tax receivable during the year for goods and services supplied.

Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost less estimated residual value of tangible assets over their estimated useful lives at the following rates:

Asset class	Depreciation method and rate
Leasehold improvements	over the terms of the lease
Plant and machinery	5-14% on cost
Fixtures, fittings, tools and equipment	10-50% on cost

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Fixed asset investments

Investments are stated at cost less provision for diminution in value.

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is represented by direct materials and labour together with attributable amounts of fixed and variable overheads incurred in bringing each product to its present location and condition. Net realisable value is estimated at selling price less further costs to completion and disposal.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate. Non-monetary assets denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of acquisition of the assets. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction, or at the contracted rate if the transaction is covered by a forward exchange contract. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Leasing

The cost of operating leases is charged to the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Pensions

As set out in note 20, the company participates in a defined benefit pension scheme which requires contributions to be made to a separately administered fund.

The company also operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Product warranties

Provision is made for the estimated liability on all products still under warranty, including claims already received.

Onerous lease provision

Provision is made for all anticipated expenditure less anticipated future rental income to the end of the lease on onerous property leases. The provision has not been discounted.

2 Turnover

	2014 £	2013 £
United Kingdom	316,602	303,506
Europe	4,448,021	4,626,652
North America	11,758,261	8,445,112
South America	2,822,415	3,894,044
Africa	664,020	1,336,980
Asia	9,818,160	7,160,082
Other	17,042	63,448
	<u>29,844,521</u>	<u>25,829,824</u>

All sales originate in the United Kingdom.

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3 Operating profit

Operating profit is stated after charging:

	2014 £	2013 £
Operating leases - plant and machinery	-	9,879
Operating leases - other assets	355,362	355,362
Foreign currency gains	(104,679)	(25,998)
(Profit)/loss on sale of tangible fixed assets	(2,000)	4,525
Depreciation of tangible fixed assets	166,587	158,736
Auditor's remuneration	<u>17,645</u>	<u>13,250</u>

4 Auditor's remuneration

	2014 £	2013 £
Audit of the financial statements	12,825	11,750
Other fees to auditors		
Tax services	<u>4,820</u>	<u>1,500</u>
	<u>17,645</u>	<u>13,250</u>

5 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2014 No.	2013 No.
Administration and support	64	56
Production	<u>70</u>	<u>63</u>
	<u>134</u>	<u>119</u>

The aggregate payroll costs were as follows:

	2014 £	2013 £
Wages and salaries	5,711,129	5,090,733
Social security costs	591,678	535,672
Staff pensions	<u>766,038</u>	<u>628,858</u>
	<u>7,068,845</u>	<u>6,255,263</u>

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2014 £	2013 £
Remuneration (including benefits in kind)	<u>1,207,480</u>	<u>1,216,988</u>

During the year the number of directors who were receiving benefits was as follows:

	2014 No.	2013 No.
Accruing benefits under defined benefit pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2014 £	2013 £
Remuneration	449,494	632,393
Defined benefit accrued pension entitlement at the end of the year (2013 - annual pension payable under defined benefit pension scheme)	<u>31,709</u>	<u>46,716</u>

7 Other interest receivable and similar income

	2014 £	2013 £
Bank interest receivable	<u>48,931</u>	<u>37,425</u>

8 Interest payable and similar charges

	2014 £	2013 £
Pension scheme finance costs	<u>91,000</u>	<u>53,000</u>
	<u>91,000</u>	<u>53,000</u>

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9 Taxation

Tax on profit on ordinary activities

	2014	2013
	£	£
Current tax		
Corporation tax charge	2,164,687	2,039,838
Adjustments in respect of previous years	(16,533)	-
UK Corporation tax	<u>2,148,154</u>	<u>2,039,838</u>
Current tax on income	<u>15,405</u>	<u>1,635</u>
Total tax on profit on ordinary activities	<u><u>2,163,559</u></u>	<u><u>2,041,473</u></u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%).

The differences are reconciled below:

	2014	2013
	£	£
Profit on ordinary activities before taxation	<u>10,001,606</u>	<u>8,610,467</u>
Corporation tax at standard rate	2,149,345	2,001,934
Depreciation in excess of capital allowances	5,495	6,699
Short term timing differences	22,659	-
Other fixed asset timing differences	(11,986)	-
Exempt dividend income	(33,082)	-
Non deductible expenses	5,960	6,573
Adjustment for prior years	(16,533)	-
Foreign withholding tax	15,405	1,635
Other tax adjustments	<u>26,296</u>	<u>24,632</u>
Total current tax	<u><u>2,163,559</u></u>	<u><u>2,041,473</u></u>

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation				
At 1 January 2014	10,763	1,928,283	1,056,803	2,995,849
Additions	-	154,869	64,103	218,972
Disposals	(10,763)	(10,500)	(17,373)	(38,636)
At 31 December 2014	-	2,072,652	1,103,533	3,176,185
Depreciation				
At 1 January 2014	10,763	1,542,042	840,594	2,393,399
Charge for the year	-	66,090	100,497	166,587
Eliminated on disposals	(10,763)	(10,500)	(17,374)	(38,637)
At 31 December 2014	-	1,597,632	923,717	2,521,349
Net book value				
At 31 December 2014	-	475,020	179,816	654,836
At 31 December 2013	-	386,241	216,209	602,450

11 Investments held as fixed assets

	2014 £	2013 £
Shares in group undertakings and participating interests	128,127	128,127
Shares in group undertakings and participating interests		
	Joints ventures and associates £	Total £
Cost		
At 1 January 2014	128,127	128,127
At 31 December 2014	128,127	128,127
Net book value		
At 31 December 2014	128,127	128,127
At 31 December 2013	128,127	128,127

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Joint ventures			
TBS Digatron Qingdao Co Ordinary Ltd		50%	Manufacture of special purpose equipment for the lead acid battery industry

The profit for the financial period of TBS Digatron Qingdao Co Ltd was £334,243 and the aggregate amount of capital and reserves at the end of the period was £1,894,146.

TBS Digatron Qingdao Co Ltd is registered in China.

12 Stocks

	2014 £	2013 £
Raw materials	2,887,819	2,512,065
Work in progress	1,633,854	1,889,606
	<u>4,521,673</u>	<u>4,401,671</u>

13 Debtors

	2014 £	2013 £
Trade debtors	3,200,246	1,616,666
Amounts owed by undertakings in which the company has a participating interest	-	117,356
Other debtors	182,878	140,569
Prepayments and accrued income	341,338	268,466
	<u>3,724,462</u>	<u>2,143,057</u>

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

14 Creditors: Amounts falling due within one year

	2014	2013
	£	£
Trade creditors	5,538,932	4,269,425
Amounts owed to group undertakings	59,362	61,343
Amounts owed to participating interests	348,134	-
Corporation tax	1,009,828	839,838
Other taxes and social security	154,842	143,179
Other creditors	23,468	2,799
Accruals and deferred income	1,740,446	1,397,360
	<u>8,875,012</u>	<u>6,713,944</u>

15 Provisions

	Onerous lease and dilapidation provision £	Product warranty provisions £	Total £
At 1 January 2014	116,000	135,000	251,000
(Credited)/charged to the profit and loss account	<u>(116,000)</u>	<u>(30,375)</u>	<u>(146,375)</u>
At 31 December 2014	<u>-</u>	<u>104,625</u>	<u>104,625</u>

The product warranty provisions are expected to be utilised within one year.

16 Share capital

Allotted, called up and fully paid shares

	2014		2013	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,229,002</u>	<u>1,229,002</u>	<u>1,229,002</u>	<u>1,229,002</u>

17 Dividends

	2014	2013
	£	£
Dividends paid		
Current year interim dividend paid	<u>5,000,000</u>	<u>6,750,000</u>

TBS ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

18 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 January 2014	296,923	7,382,308	7,679,231
Profit for the year	-	7,838,047	7,838,047
Dividends	-	(5,000,000)	(5,000,000)
Actuarial loss on pension schemes	-	(1,305,000)	(1,305,000)
Deferred tax relating to actuarial gain/loss on pension schemes	-	284,550	284,550
Current tax deductions allocated to actuarial losses	-	27,593	27,593
At 31 December 2014	<u>296,923</u>	<u>9,227,498</u>	<u>9,524,421</u>

19 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Profit attributable to the members of the company	7,838,047	6,568,994
Other recognised gains and losses relating to the year	(992,857)	(759,750)
Dividends	<u>(5,000,000)</u>	<u>(6,750,000)</u>
Net addition/(reduction) to shareholders' funds	1,845,190	(940,756)
Shareholders' funds at 1 January	<u>8,908,233</u>	<u>9,848,989</u>
Shareholders' funds at 31 December	<u>10,753,423</u>	<u>8,908,233</u>

20 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £78,526 (2013 - £110,306).

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Defined benefit pension scheme

MiTek UK Retirement and Death Benefits Plan

The company participates in the MiTek UK Retirement and Death Benefits Plan ('the Plan'), which is the defined benefit scheme of a fellow subsidiary undertaking. The benefits provided for the TBS Engineering Limited members ("the TBS members") of the plan are on a "career average" rather than a final salary basis. Their benefits are calculated by reference to the rate of increase of inflation and not to the growth in earnings. The assets and liabilities relating to the TBS members are ring fenced within the Plan for the sole benefit of those members.

The contributions to the scheme are determined with the advice from an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent full actuarial valuation was carried out as at 1 May 2013. The valuation showed that the market value of the scheme's assets at that date was £7,000,000 and that the actuarial value was sufficient to cover 72% of the value of the benefits that had accrued to members. During the year the company contributed at a rate of 17.3% to 31 July 2014 and 20.8% from 1 August 2014 (2013 - 17.3%) of pensionable salaries.

For the purposes of Financial Reporting Standard 17 ('FRS17'), 'Retirement Benefits', a valuation has been performed as at 30 November 2014 (2013 - 30 November 2013).

The total contributions in the next year are expected to be £256,800.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2014 £	2013 £
Fair value of scheme assets	8,561,000	7,416,000
Present value of scheme liabilities	(12,409,000)	(9,909,000)
Related deferred tax asset	808,080	523,530
Net liability in the balance sheet	<u>(3,039,920)</u>	<u>(1,969,470)</u>

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2014 £	2013 £
Fair value at start of year	7,416,000	6,074,000
Expected return on assets	391,000	310,000
Actuarial gains and losses	187,000	604,000
Employer contributions	486,000	371,000
Contributions by scheme participants	158,000	152,000
Benefits paid	(77,000)	(96,000)
Age related rebates	-	1,000
Fair value at end of year	<u>8,561,000</u>	<u>7,416,000</u>

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Analysis of assets

The major categories of scheme assets are as follows:

	2014 %	2013 %
Equity instruments	61.00	64.00
Bonds	32.00	23.00
Property	1.00	1.00
Cash	6.00	12.00

Actual return on scheme's assets

	2014 £	2013 £
Actual return on scheme assets	578,000	914,000

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes, which are as follows:

Equities and property - 2% margin above the average gross redemption yield on corporate bonds at 5.6% (2013 - 6.3%)

Bonds - average gross redemption yield on corporate bonds at 3.6% (2013 - 4.3%)

Gilts - average gross redemption yield on 15 year gilt yield index at 2.4% (2013 - 3.2%)

Cash - the Bank of England's base rate at 0.5% (2013 - 0.5%)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2014 £	2013 £
Present value at start of year	9,909,000	7,546,000
Current service cost	445,000	409,000
Actuarial gains and losses	1,492,000	1,534,000
Age related rebates	-	1,000
Interest cost	482,000	363,000
Benefits paid	(77,000)	(96,000)
Contributions by scheme participants	158,000	152,000
Present value at end of year	12,409,000	9,909,000

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Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2014 %	2013 %
Discount rate	3.70	4.60
Future salary increases	3.20	3.50
Future pension increases	3.10	3.40
Inflation - RPI	3.20	3.50
Inflation - CPI	2.30	2.60
Expected return on scheme assets - equity and property	5.60	6.30
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - gilts	2.40	3.20
Expected return on scheme assets - bonds	3.60	4.30

Post retirement mortality assumptions

	2014 Years	2013 Years
Current pensioners at retirement age - male	21.10	20.70
Current pensioners at retirement age - female	23.10	22.80
Future pensioners at retirement age - male	22.40	21.30
Future pensioners at retirement age - female	24.60	23.50

Amounts recognised in the profit and loss account

	2014 £	2013 £
Amounts recognised in operating profit		
Current service cost	445,000	409,000
Recognised in arriving at operating profit	445,000	409,000
Amounts recognised in other finance cost		
Interest cost	482,000	363,000
Expected return on scheme assets	(391,000)	(310,000)
Recognised in other finance cost	91,000	53,000
Total recognised in the profit and loss account	536,000	462,000

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Amounts recognised in the statement of total recognised gains and losses

	2014 £	2013 £
Actual return less expected return on scheme assets	187,000	604,000
Changes in assumptions	1,000	(671,000)
Other actuarial gains (losses)	<u>(1,493,000)</u>	<u>(863,000)</u>
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(1,305,000)</u>	<u>(930,000)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£3,869,000) (2013 - (£2,564,000)).

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows:

	2014 £	2013 £	2012 £	2011 £	2010 £
Fair value of scheme assets	8,561,000	7,416,000	6,074,000	5,299,000	4,819,000
Present value of scheme liabilities	<u>(12,409,000)</u>	<u>(9,909,000)</u>	<u>(7,546,000)</u>	<u>(6,317,000)</u>	<u>(5,450,000)</u>
Deficit in scheme	<u>(3,848,000)</u>	<u>(2,493,000)</u>	<u>(1,472,000)</u>	<u>(1,018,000)</u>	<u>(631,000)</u>

Experience adjustments:

	2014 £	2013 £	2012 £	2011 £	2010 £
Experience adjustments arising on scheme assets	<u>187,000</u>	<u>604,000</u>	<u>267,000</u>	<u>(222,000)</u>	<u>127,000</u>
Experience adjustments arising on scheme liabilities	<u>1,000</u>	<u>(863,000)</u>	<u>(48,000)</u>	<u>200,000</u>	<u>49,000</u>

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21 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £52,775 (2013 - £nil).

Operating lease commitments

As at 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014 £	2013 £
Land and buildings		
Within two and five years	<u>355,362</u>	<u>355,362</u>

Other commitments

At the year end the company had commitments for forward foreign currency contracts amounting to £1,925,486 (2013 - £550,325).

22 Related party transactions

Other related party transactions

During the year the company made the following related party transactions:

TBS Digatron Qingdao Co Ltd

(TBS Engineering Limited holds 50% of the ordinary share capital of TBS Digatron Qingdao Co Ltd)
During the year sales were made to TBS Digatron Qingdao Co Ltd of £833,927 (2013 - £580,526) and commissions paid to that company amounted to £nil (2013 - £166,192). At the balance sheet date the amount due (to)/from TBS Digatron Qingdao Co Ltd was (£348,134) (2013 - £117,356).

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

23 Control

The company is wholly owned by its immediate parent company, MiTek Holdings Inc, a company incorporated in the United States of America. The parent company of the smallest group for which group financial statements are prepared is MiTek Industries Inc, a company incorporated in the United States of America. Copies of group financial statements can be obtained from 14515 North Outer Forty, Suite 300, Chesterfield, Missouri 63017, USA. The ultimate parent company is Berkshire Hathaway Inc, a company incorporated in the United States of America, and copies of group financial statements can be obtained from 1440 Kiewit Plaza, Omaha, Nebraska, USA.