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Company Registration No 2455748 (England and Wales)

**TBS ENGINEERING LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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# **TBS ENGINEERING LIMITED**

## **COMPANY INFORMATION**

### **Directors**

V F Empson  
L E Gardiner  
R T Hopwood  
D J Longney  
E Toombs

### **Secretary**

V F Empson

### **Company number**

2455748

### **Registered office**

Longhill  
Elmstone Hardwicke  
Cheltenham  
Gloucestershire  
GL51 9TY

### **Auditors**

Hazlewoods LLP  
Staverton Court  
Staverton  
Cheltenham  
Gloucestershire  
GL51 0UX

### **Business address**

Longhill  
Elmstone Hardwicke  
Cheltenham  
Gloucestershire  
GL5 9TY

### **Bankers**

Lloyds TSB Bank plc  
11-15 Monument Street  
London  
EC3V 9JA

Fifth Third Bank  
38 Fountain Square Plaza  
Cincinnati  
OH 45263  
USA

## **TBS ENGINEERING LIMITED**

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## **TBS ENGINEERING LIMITED**

### **DIRECTORS' REPORT**

**for the year ended 31 December 2006**

The directors present their report and the audited financial statements for the year ended 31 December 2006

#### **Principal activities**

The principal activity of the company continues to be that of 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

#### **Review of business**

The company made a profit after tax of £4,309,771 (2005 £2,909,674) from turnover of £18,070,520 (2005 £13,138,356) The directors are pleased with the level of turnover and profits for the year

The company has net assets at 31 December 2006 of £2,498,840 (2005 £2,492,593)

Interim ordinary dividends have been paid amounting to £4,340,624

#### *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 efficiency 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

This stance has been supported by the substantial increase in volume over the previous year

#### *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

#### **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.

## **TBS ENGINEERING LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**for the year ended 31 December 2006**

#### **Key performance indicators ('KPI's)**

As the company is subject to a monthly reporting regime to its immediate parent company, the directors are of the opinion that analysis using KPI's in this Directors' Report is not necessary for the shareholders understanding of the development, performance or position of the business

#### **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

#### **Directors**

The following directors have held office since 1 January 2006

V F Empson  
L E Gardiner  
R T Hopwood  
D J Longney  
E Toombs

#### **Charitable donations**

During the year the company made charitable donations of £491 (2005 - £28)

#### **Auditors**

Hazlewoods LLP have expressed their willingness to continue in office

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

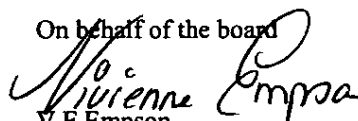
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which 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 1985. 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

#### **Statement of disclosure to the auditors**

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

On behalf of the board

  
V F Empson  
Director

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**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF TBS ENGINEERING LIMITED**

We have audited the financial statements of TBS Engineering Limited on pages 4 to 16 for the year ended 31 December 2006. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

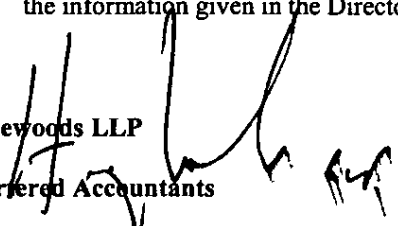
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements.

  
Hazlewoods LLP  
Chartered Accountants  
Registered Auditor

8 October 2007  
Staverton Court  
Staverton  
Cheltenham  
Gloucestershire  
GL51 0UX

**TBS ENGINEERING LIMITED**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2006

|  | Note      | 2006<br>£   | 2005<br>£   |
|--|-----------|-------------|-------------|
| <b>Turnover</b>                                      | <b>2</b>  | 18,070,520  | 13,138,356  |
| Change in stocks and work in progress                |           | 727,929     | (131,901)   |
| Raw materials and consumables                        |           | (6,239,393) | (3,904,010) |
| Staff costs  | <b>18</b> | (4,126,617) | (3,546,662) |
| Depreciation   |           | (64,612)    | (77,988)    |
| Other operating charges                              |           | (2,231,476) | (1,353,203) |
|  |           | <hr/>       | <hr/>       |
| <b>Operating profit</b>                              | <b>3</b>  | 6,136,351   | 4,124,592   |
| Interest   | <b>4</b>  | 64,678      | 33,656      |
|  |           | <hr/>       | <hr/>       |
| <b>Profit on ordinary activities before taxation</b> |           | 6,201,029   | 4,158,248   |
| Tax on profit on ordinary activities                 | <b>5</b>  | (1,891,258) | (1,248,574) |
|  |           | <hr/>       | <hr/>       |
| <b>Profit for the financial year</b>                 |           | 4,309,771   | 2,909,674   |
|  |           | <hr/>       | <hr/>       |

The profit and loss account has been prepared on the basis that all operations are continuing operations

**Statement of total recognised gains and losses**

|   | Note      | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|-----------|
| Profit for the financial year                                     |           | 4,309,771 | 2,909,674 |
| Actuarial gain on pension scheme                                  | <b>12</b> | 53,000    | 114,000   |
| Movement on deferred tax attributable to pension scheme asset     |           | (15,900)  | (34,200)  |
|   |           | <hr/>     | <hr/>     |
| <b>Total gains and losses recognised since last annual report</b> |           | 4,346,871 | 2,989,474 |
|   |           | <hr/>     | <hr/>     |

**TBS ENGINEERING LIMITED**

**BALANCE SHEET**  
as at 31 December 2006

|   | Note | £           | 2006<br>£   | 2005<br>£ |
|---|------|-------------|-------------|-----------|
| <b>Fixed assets</b>                                   |      |             |             |           |
| Tangible assets                                       | 7    |             | 207,941     | 242,441   |
| <b>Current assets</b>                                 |      |             |             |           |
| Stocks  | 8    | 2,154,482   |             | 1,426,553 |
| Debtors   | 9    | 2,670,110   |             | 1,328,895 |
| Cash at bank and in hand                              |      | 2,342,526   |             | 1,667,574 |
|   |      | 7,167,118   |             | 4,423,022 |
| <b>Creditors: amounts falling due within one year</b> | 10   | (4,768,219) | (2,139,870) |           |
| <b>Net current assets</b>                             |      |             | 2,398,899   | 2,283,152 |
| <b>Total assets less current liabilities</b>          |      |             | 2,606,840   | 2,525,593 |
| <b>Provisions for liabilities and charges</b>         | 11   |             | (150,000)   | (75,000)  |
| <b>Net assets excluding pension scheme asset</b>      |      |             | 2,456,840   | 2,450,593 |
| <b>Pension scheme asset</b>                           |      |             |             |           |
| - gross   | 12   |             | 60,000      | 60,000    |
| - attributable taxation                               | 12   |             | (18,000)    | (18,000)  |
| <b>Net assets including pension scheme asset</b>      |      |             | 2,498,840   | 2,492,593 |
| <b>Capital and reserves</b>                           |      |             |             |           |
| Called-up share capital                               | 13   |             | 1,229,002   | 1,229,002 |
| Share premium account                                 | 14   |             | 296,923     | 296,923   |
| Profit and loss account                               | 14   |             | 972,915     | 966,668   |
| <b>Shareholders' funds - equity interests</b>         | 15   |             | 2,498,840   | 2,492,593 |

Approved by the board and authorised for issue on 8 October 2007

L E Gardiner  
Director





## **TBS ENGINEERING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006**

#### **1 Accounting Policies**

##### **1.1 Accounting convention**

The financial statements have been prepared under the historical cost convention, adopting the following principal accounting policies all of which are in accordance with applicable Accounting Standards

##### **1.2 Turnover**

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

##### **1.3 Research and development**

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

##### **1.4 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

|                                       |                             |
|---------------------------------------|-----------------------------|
| Short leasehold land and buildings    | over the terms of the lease |
| Plant and machinery                   | 5-10% on cost               |
| Fixtures, fittings, tools & equipment | 10-50% on cost              |

##### **1.5 Leasing**

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

##### **1.6 Stock and work in progress**

Work in progress is 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 selling price less further costs to completion and disposal.

##### **1.7 Pensions**

As set out in note 12, the company participates in a defined benefit pension scheme which requires contributions to be made to a separately administered fund

##### **1.8 Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

##### **1.9 Foreign currency translation**

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

##### **1.10 Product warranties**

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

**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2006

**2 Turnover**

**Geographical analysis of turnover:**

|                | <b>2006</b> | <b>2005</b> |
|----------------|-------------|-------------|
|                | <b>£</b>    | <b>£</b>    |
| United Kingdom | 289,747     | 226,712     |
| Europe         | 1,927,112   | 2,090,520   |
| North America  | 6,140,110   | 5,377,506   |
| South America  | 5,626,717   | 195,013     |
| Africa         | 621,500     | 1,002,875   |
| Asia           | 3,301,969   | 4,105,757   |
| Other          | 163,365     | 139,973     |
|                | <hr/>       | <hr/>       |
|                | 18,070,520  | 13,138,356  |
|                | <hr/>       | <hr/>       |

All sales are to customers outside the group and all originate in the United Kingdom

**3 Operating profit**

|   | <b>2006</b> | <b>2005</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Operating profit is stated after charging (crediting) |             |             |
| Depreciation of tangible assets                       | 64,612      | 77,988      |
| Loss (profit) on foreign exchange transactions        | 106,476     | (59,554)    |
| Operating lease rentals                               |             |             |
| - Plant and machinery                                 | 7,628       | 10,487      |
| - Other assets  | 178,000     | 171,750     |
| Auditors' remuneration                                | 8,245       | 7,965       |
| Remuneration of auditors for non-audit work           | 1,300       | 1,250       |
|   | <hr/>       | <hr/>       |

**4 Interest**

|   | <b>2006</b> | <b>2005</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Bank interest receivable                | 54,905      | 40,253      |
| Other interest paid                     | (227)       | (1,597)     |
| Other finance returns (costs) (note 12) | 10,000      | (5,000)     |
|   | <hr/>       | <hr/>       |
|   | 64,678      | 33,656      |
|   | <hr/>       | <hr/>       |

**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2006

| <b>5</b> | <b>Taxation</b>   | <b>2006</b><br><b>£</b> | <b>2005</b><br><b>£</b> |
|----------|---|-------------------------|-------------------------|
|          | <b>Domestic current year tax</b>  |                         |                         |
|          | UK corporation tax  | 1,906,158               | 1,264,774               |
|          | Adjustment in respect of prior years  | 1,000                   | -                       |
|          |   | <hr/>                   | <hr/>                   |
|          | <b>Current tax charge</b>   | 1,907,158               | 1,264,774               |
|          | <b>Deferred tax</b>   |                         |                         |
|          | Deferred tax movement attributable to pension asset   | (15,900)                | (16,200)                |
|          |   | <hr/>                   | <hr/>                   |
|          | <b>Tax on profit on ordinary activities</b>   | 1,891,258               | 1,248,574               |
|          |   | <hr/>                   | <hr/>                   |
|          | <b>Factors affecting the tax charge for the year</b>  |                         |                         |
|          | Profit on ordinary activities before taxation   | 6,201,029               | 4,158,248               |
|          |   | <hr/>                   | <hr/>                   |
|          | Profit on ordinary activities before taxation multiplied by<br>standard rate of UK corporation tax of 30.00% (2005: 30.00%) | 1,860,309               | 1,247,474               |
|          |   | <hr/>                   | <hr/>                   |
|          | <b>Effects of</b>   |                         |                         |
|          | Non deductible expenses   | 18,332                  | 11,231                  |
|          | Capital allowances in excess of depreciation  | (5,956)                 | (1,525)                 |
|          | Adjustment in respect of prior years  | 1,000                   | -                       |
|          | Other tax adjustments (primarily £15,900 (2006: £16,200) in relation to<br>FRS 17 non deductible costs)                     | 33,473                  | 7,594                   |
|          |   | <hr/>                   | <hr/>                   |
|          |   | 46,849                  | 17,300                  |
|          |   | <hr/>                   | <hr/>                   |
|          | <b>Current tax charge</b>   | 1,907,158               | 1,264,774               |
|          |   | <hr/>                   | <hr/>                   |
| <b>6</b> | <b>Dividends</b>  | <b>2006</b><br><b>£</b> | <b>2005</b><br><b>£</b> |
|          | Ordinary interim paid   | 4,340,624               | 2,350,000               |
|          |   | <hr/>                   | <hr/>                   |

**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2006

**7 Tangible fixed assets**

|                       | Short<br>leasehold<br>land and<br>buildings<br>£ | Plant and<br>machinery<br>£ | Fixtures,<br>fittings, tools<br>& equipment<br>£ | Total<br>£ |
|-----------------------|--|-----------------------------|--|------------|
| <b>Cost</b>           |  |                             |  |            |
| At 1 January 2006     | 10,763   | 1,318,476                   | 610,950  | 1,940,189  |
| Additions             | -  | 2,000                       | 28,112   | 30,112     |
| Disposals             | -  | (8,112)                     | -  | (8,112)    |
|                       | <hr/>  | <hr/>                       | <hr/>  | <hr/>      |
| At 31 December 2006   | 10,763   | 1,312,364                   | 693,062  | 1,962,189  |
|                       | <hr/>  | <hr/>                       | <hr/>  | <hr/>      |
| <b>Depreciation</b>   |  |                             |  |            |
| At 1 January 2006     | 10,763   | 1,134,963                   | 552,022  | 1,697,748  |
| Charge for the year   | -  | 43,510                      | 21,102   | 64,612     |
| Disposals             | -  | (8,112)                     | -  | (8,112)    |
|                       | <hr/>  | <hr/>                       | <hr/>  | <hr/>      |
| At 31 December 2006   | -  | 1,170,361                   | 573,124  | 1,754,248  |
|                       | <hr/>  | <hr/>                       | <hr/>  | <hr/>      |
| <b>Net Book Value</b> |  |                             |  |            |
| At 31 December 2006   | -  | 142,003                     | 65,938   | 207,941    |
|                       | <hr/>  | <hr/>                       | <hr/>  | <hr/>      |
| At 31 December 2005   | -  | 183,513                     | 58,928   | 242,441    |
|                       | <hr/>  | <hr/>                       | <hr/>  | <hr/>      |

**8 Stock and work in progress**

|                               | 2006<br>£ | 2005<br>£ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 1,307,057 | 846,081   |
| Work in progress              | 847,425   | 580,472   |
|                               | <hr/>     | <hr/>     |
|                               | 2,154,482 | 1,426,553 |
|                               | <hr/>     | <hr/>     |

In the opinion of the directors the difference between cost and replacement cost is immaterial

**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2006

**9 Debtors**

|                                | 2006<br>£ | 2005<br>£ |
|--------------------------------|-----------|-----------|
| Trade debtors                  | 2,431,162 | 1,168,445 |
| Other debtors                  | 75,243    | 39,806    |
| Prepayments and accrued income | 163,705   | 120,644   |
|                                | <hr/>     | <hr/>     |
|                                | 2,670,110 | 1,328,895 |
|                                | <hr/>     | <hr/>     |

**10 Creditors: amounts falling due within one year**

|                                    | 2006<br>£ | 2005<br>£ |
|------------------------------------|-----------|-----------|
| Trade creditors                    | 2,388,913 | 801,250   |
| Amounts owed to group undertakings | 21,839    | 12,234    |
| Corporation tax                    | 966,158   | 639,774   |
| Taxes and social security costs    | 99,814    | 69,931    |
| Accruals and deferred income       | 1,291,495 | 616,681   |
|                                    | <hr/>     | <hr/>     |
|                                    | 4,768,219 | 2,139,870 |
|                                    | <hr/>     | <hr/>     |

**11 Provisions for liabilities and charges**

|                             | Product<br>warranty<br>provisions<br>£ |
|-----------------------------|--|
| Balance at 1 January 2006   | 75,000                                 |
| Increase in provision       | 75,000                                 |
|                             | <hr/>                                  |
| Balance at 31 December 2006 | 150,000                                |
|                             | <hr/>                                  |

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

## TBS ENGINEERING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2006

#### 12 Pension costs

##### Defined benefit

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 valuation was carried out as at 1 May 2005. The valuation showed that the market value of the scheme's assets at that date were £314,000 and that the actuarial value was sufficient to cover 139% of the value of the benefits that had accrued to members. Following the valuation the actuarial advice is that the company should contribute at the rate of 10.4% of pensionable salaries from 1 May 2006.

The total pension contributions made by the company during the year were £400,343 (2005 - £419,151).

For the purposes of Financial Reporting Standard 17 ('FRS17'), 'Retirement Benefits', a valuation has been performed as at 30 November 2006 (2005 - 30 November 2005) as follows:

|   | 2006<br>% | 2005<br>% | 2004<br>% |
|---|-----------|-----------|-----------|
| <b>The main financial assumptions are as follows:</b>         |           |           |           |
| Rate of increase in pensions in payment                       | 2.75      | 2.50      | 2.50      |
| Discount rate   | 5.50      | 5.50      | 5.75      |
| Inflation assumption  | 3.00      | 2.80      | 2.80      |
| Revaluation of accrued pension entitlement                    | 4.00      | 3.80      | 3.80      |
| <b>The long term expected rates of return are as follows:</b> |           |           |           |
| Equities  | 7.50      | 7.50      | 7.75      |
| Bonds   | 5.50      | 5.50      | 5.75      |
| Property  | 7.50      | 7.50      | 7.75      |
| Cash  | 5.00      | 4.50      | 4.75      |

**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2006

**12 Pension costs (continued)**

|  | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    | <b>£</b>    |
| <b>The assets and liabilities of the scheme are as follows:</b>                            |             |             |             |
| Equities   | 1,411,000   | 1,005,000   | 420,000     |
| Bonds  | 132,000     | 66,000      | 56,000      |
| Property   | -           | -           | 6,000       |
| Cash   | 92,000      | 60,000      | 22,000      |
| Present value of scheme liabilities  | (1,575,000) | (1,071,000) | (504,000)   |
|  | <hr/>       | <hr/>       | <hr/>       |
| Surplus in the scheme  | 60,000      | 60,000      | -           |
| Related deferred tax liability at 30%  | (18,000)    | (18,000)    | -           |
|  | <hr/>       | <hr/>       | <hr/>       |
| Net pension asset  | 42,000      | 42,000      | -           |
|  | <hr/>       | <hr/>       | <hr/>       |
|  | <b>2006</b> | <b>2005</b> |             |
|  | <b>£</b>    | <b>£</b>    |             |
| <b>Amounts charged to operating profit:</b>  |             |             |             |
| Current service cost   | 313,000     | 316,000     |             |
|  | <hr/>       | <hr/>       |             |
|  | <b>2006</b> | <b>2005</b> |             |
|  | <b>£</b>    | <b>£</b>    |             |
| <b>Amounts charged to other finance costs:</b>   |             |             |             |
| Expected return on pension scheme assets   | 94,000      | 52,000      |             |
| Interest on pension scheme liabilities   | (84,000)    | (57,000)    |             |
|  | <hr/>       | <hr/>       |             |
| Net return (cost)  | 10,000      | (5,000)     |             |
|  | <hr/>       | <hr/>       |             |
|  | <b>2006</b> | <b>2005</b> |             |
|  | <b>£</b>    | <b>£</b>    |             |
| <b>Amounts recognised in the Statement of Total Recognised Gains and Losses ("STRGL"):</b> |             |             |             |
| Changes in assumptions underlying the present value of scheme liabilities                  | (79,000)    | (53,000)    |             |
| Actual return less expected return on assets   | 56,000      | 167,000     |             |
| Experience gains and losses arising on liabilities   | 76,000      | -           |             |
|  | <hr/>       | <hr/>       |             |
| Actuarial gain recognised in STRGL   | 53,000      | 114,000     |             |
|  | <hr/>       | <hr/>       |             |

**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 December 2006

**12 Pension costs (continued)**

|   | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|
| <b>Movement in surplus during the year:</b> |           |           |
| Surplus in scheme at beginning of year      | 60,000    | -         |
| Operating charge                            | (313,000) | (316,000) |
| Contributions made                          | 250,000   | 267,000   |
| Actuarial gain                              | 53,000    | 114,000   |
| Other finance costs                         | 10,000    | (5,000)   |
|   | <hr/>     | <hr/>     |
| Surplus in scheme at end of year            | 60,000    | 60,000    |
|   | <hr/>     | <hr/>     |

**History of experience gains and losses:**

|  | 2006   | 2005    | 2004     | 2003     |
|--|--------|---------|----------|----------|
| Difference between the expected and actual return on scheme assets |        |         |          |          |
| - amount (£)   | 56,000 | 167,000 | (51,000) | -        |
| - percentage of scheme assets (%)                                  | 3%     | 15%     | 10%      | -        |
| Experience gains and losses on scheme liabilities                  |        |         |          |          |
| - amount (£)   | 76,000 | -       | 39,000   | -        |
| - percentage of the present value of the scheme liabilities (%)    | 5%     | -       | 8%       | -        |
| Total amount recognised in STRGL                                   |        |         |          |          |
| - amount (£)   | 53,000 | 114,000 | (39,000) | (14,000) |
| - percentage of the present value of scheme liabilities (%)        | 3%     | 11%     | 8%       | 9.86%    |
|  | <hr/>  | <hr/>   | <hr/>    | <hr/>    |

**13 Share capital**

|   | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|
| <b>Authorised</b>                         |           |           |
| 1,500,000 Ordinary shares of £1 each      | 1,500,000 | 1,500,000 |
|   | <hr/>     | <hr/>     |
| <b>Allotted, called up and fully paid</b> |           |           |
| 1,229,002 Ordinary shares of £1 each      | 1,229,002 | 1,229,002 |
|   | <hr/>     | <hr/>     |



**TBS ENGINEERING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2006**

**14 Statement of movements on reserves**

|  | Share premium<br>account<br>£ | Profit and loss<br>account<br>£ |
|--|-------------------------------|---------------------------------|
| Balance at 1 January 2006  | 296,923                       | 966,668                         |
| Profit for the financial year  | -                             | 4,309,771                       |
| Dividends paid   | -                             | (4,340,624)                     |
| Actuarial gain on pension scheme net of<br>related deferred tax movement | -                             | 37,100                          |
|  | <hr/>                         | <hr/>                           |
| Balance at 31 December 2006  | 296,923                       | 972,915                         |
|  | <hr/>                         | <hr/>                           |

**Analysis of profit and loss reserve:**

|   | 2006<br>£ |
|---|-----------|
| Profit and loss reserve excluding pension asset | 930,915   |
| Pension asset net of attributable deferred tax  | 42,000    |
|   | <hr/>     |
| Profit and loss reserve including pension asset | 972,915   |
|   | <hr/>     |

**15 Reconciliation of movements in shareholders' funds**

|  | 2006<br>£   | 2005<br>£   |
|--|-------------|-------------|
| Profit for the financial year  | 4,309,771   | 2,909,674   |
| Dividends  | (4,340,624) | (2,350,000) |
| Actuarial gain on pension scheme net of<br>related deferred tax movement | 37,100      | 79,800      |
|  | <hr/>       | <hr/>       |
| Net increase in shareholders' funds                                      | 6,247       | 639,474     |
| Opening shareholders' funds  | 2,492,593   | 1,853,119   |
|  | <hr/>       | <hr/>       |
| Closing shareholders' funds  | 2,498,840   | 2,492,593   |
|  | <hr/>       | <hr/>       |

# TBS ENGINEERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2006

### 16 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

|                            | Land and buildings |                | Other        |               |
|----------------------------|--------------------|----------------|--------------|---------------|
|                            | 2006               | 2005           | 2006         | 2005          |
|                            | £                  | £              | £            | £             |
| Expiry date                |                    |                |              |               |
| Within one year            | -                  | 68,750         | -            | 2,860         |
| Between two and five years | 75,000             | -              | 7,628        | 7,628         |
| In over five years         | 103,000            | 103,000        | -            | -             |
|                            | <u>178,000</u>     | <u>171,750</u> | <u>7,628</u> | <u>10,488</u> |

At the year end the company had commitments for forward foreign currency contracts amounting to £215,057 (2006 £828,886)

### 17 Directors' emoluments

|                                    | 2006           | 2005           |
|------------------------------------|----------------|----------------|
|                                    | £              | £              |
| Emoluments for qualifying services | <u>818,683</u> | <u>656,858</u> |

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 4 (2005 - 4)

Emoluments disclosed above include the following amounts paid to the highest paid director, being also the chairman

|   |               |               |
|---|---------------|---------------|
| Emoluments for qualifying services      | 384,972       | 299,280       |
| Accrued pension at the end of the year  | 12,098        | 10,870        |
| Accrued lump sum at the end of the year | <u>80,656</u> | <u>31,825</u> |

### 18 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

|            | 2006      | 2005      |
|------------|-----------|-----------|
|            | Number    | Number    |
| Staff      | 47        | 49        |
| Operatives | 40        | 38        |
|            | <u>87</u> | <u>87</u> |

**TBS ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 December 2006****18 Employees (continued)**

| <b>Employment costs</b>  | <b>2006<br/>£</b> | <b>2005<br/>£</b> |
|--|-------------------|-------------------|
| Wages and salaries   | 3,325,439         | 2,794,783         |
| Social security costs  | 337,835           | 283,728           |
| Other pension costs (including current service cost of £313,000 (2005 - £316,000) (note 12)) | 463,343           | 468,151           |
|  | <u>4,126,617</u>  | <u>3,546,662</u>  |

**19 Control**

The immediate parent company is MiTek Inc, a company incorporated in the United States of America, and 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.

**20 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies where 90% or more of the voting rights are controlled within the group on the grounds that consolidated financial statements, prepared by the parent companies, are publicly available.