Registered No 03224488

TUV SUD (UK) Limited

Report and Financial Statements

31 December 2006

Directors
Dr A Stepken
P Crystal

Secretary
R Loeser

Auditor
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Bankers
National Westminster Bank plc
52 West Street
Fareham
Hampshire

Solicitors
Memery Crystal
31 Southampton Row
London
WC1B 5HT

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

Directors' report

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

Results and dividends

The loss for the year amounted to £255,000 The directors do not recommend the payment of any dividends

Principal activities and review of the business

The principal activity of the company during the year was to act as the holding company for UK activities, which are primarily to provide an extensive range of services including contract research, technical evaluation, product and management system certification, testing and consultancy These core competencies are provided in the areas of electrical, mechanical and process engineering, telecommunications, information technology, environmental performance, electromagnetic compatibility and product safety assessment

In August 2006 the Company acquired a 100% stake in Nuclear Technologies Plc, a Gloucester based company specialising in provision of technical services to the nuclear power generation industry This company was chosen for acquisition due to its fit with the TUV SUD Industry Service group and the potential for future development All members of staff were retained

The operating costs for the year amounted to £167,000 (2005 £23,000) Interest payable amounted to £284,000 (2005 £76,000) This increase is attributable to interest payable on loans from group undertakings and is a due to financing of part of the investment in Nuclear Technologies It is anticipated that financing costs will decrease once the remaining land is sold

The other activity of note during the year related to the decision to sell the remaining land at the Segensworth Road site A number of options for the sale of the land are being explored and negotiations are progressing with interested third parties, but are subject to confidentiality restrictions The Directors are confident that matters will be concluded in 2007

Financial risk management

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

The company manages its interest rate risk exposure, as interest on the short term group borrowings is at fixed rates of interest

Directors

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

Dr A Stepken	(appointed 14 March 2006)
C Schipper	(served from 14 March 2006 to 11 January 2007)
P Crystal	
H Mund	(resigned 14 March 2006)
W Paton	(resigned 14 March 2006)
W Hock	(resigned 14 March 2006)

There are no directors' interests requiring disclosure under the Companies Act 1985

Fixed assets

The directors are confident that the market value of the remaining land exceeds its book value by 400%

Directors' liabilities

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision was in force during the year and remains in place to the date of this report

Directors' report

Accounting for pensions

The company is the principal employer of the TPS Benefit Scheme which is the main vehicle for pension provision for UK group employees

The company has provided for the full deficit of the TPS Pensions scheme as required by FRS 17 because it has been unable to determine the individual subsidiary companies share of the underlying assets and liabilities of the scheme The requirements of FRS 17 requires full reporting to be made in the consolidated accounts, but as no consolidated accounts are prepared for the UK group, it has been decided to reflect the requirements of FRS 17 in the accounts of the UK holding company The subsidiary companies have reflected the annual contributions made in their accounts on the basis of a defined contribution scheme As a result of the FRS 17 disclosure, the profit and loss includes an adjustment resulting in an increased loss after tax by £189,000 (2005 loss of £204,000) relating to the TPS Benefit Scheme that has not been incurred by the company

The last tri-annual valuation of the scheme was performed by the Scheme Actuary with effect from 31 December 2004 The valuation indicated a market value of assets in the scheme of £16 9 million and the actuarial value of these assets represented 80% of the benefits that had accrued to the pensioners, deferred pensioners and members, after allowing for expected increases in earnings The group took a number of measures to bring the funding level back to 100% which included a one-off contribution of £1,000,000 into the scheme during 2005 and increasing the level of group company contributions over the remaining working lives of the Active members To reduce the risk of the deficit increasing further in future years, a consultation process was held with members which resulted in a number of changes to the scheme with effect from 1 January 2006 This included closing the scheme to new entrants, increasing member contributions and reducing some of the defined benefits of the scheme

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Auditor

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

On behalf of the board

Dr A Stepken
Director
13 April 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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
- 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

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

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17 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 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 judgements 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

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

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 loss 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 directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Southampton

13 April 2007

Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover		–	–
Administrative expenses		167	23
Operating loss	2	(167)	(23)
Profit on disposal of tangible fixed assets	3	–	1,372
		(167)	1,349
Income from shares in group undertakings		200	160
Bank interest receivable		1	5
Interest payable and similar charges	6	(284)	(76)
Net finance costs in respect of defined benefit pension schemes	13	(131)	(55)
		(214)	34
(Loss)/profit on ordinary activities before taxation		(381)	1,383
Tax on (loss)/profit on ordinary activities	7	(126)	(85)
(Loss)/profit for the financial year transferred (from)/to reserves		(255)	1,468

All amounts relate to continuing operations

Statement of total recognised gains and losses
for the year ended 31 December 2006

	2006 £000	2005 £000
(Loss)/profit for the financial year	(255)	1,468
Actuarial gain/(loss) in respect of defined benefit pension scheme	1,053	(3,890)
Less Deferred tax at 30%	(316)	1,167
Total gains and losses recognised since the last annual report	482	(1,255)

Balance sheet
at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	471	471
Investments	9	21,589	13,500
		22,060	13,971
Current assets			
Debtors	10	4,003	2,304
Creditors amounts falling due within one year	11	4,522	3,462
Net current liabilities		(519)	(1,158)
Total assets less current liabilities		21,541	12,813
Creditors amounts falling due after more than one year	12	5,700	–
Net assets excluding pension liability		15,841	12,813
Pension liability	13	(3,559)	(4,107)
Net assets including pension liability		12,282	8,706
Capital and reserves			
Equity share capital	15	4,250	1,156
Share premium account	16	2,244	2,244
Other reserves	16	11,347	11,347
Profit and loss account	16	(5,559)	(6,041)
Equity shareholders' funds	16	12,282	8,706

Dr A Stepken
Director

13 April 2007

Notes to the financial statements

at 31 December 2006

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention

The financial statements have been prepared on the going concern basis because the company's parent undertaking has confirmed that it will provide such financial support as is necessary to enable the company to trade in the foreseeable future

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

Investments

Investments in group undertakings are stated at cost or valuation less any provision for diminution in value

Fixed assets

Freehold land is initially recorded at cost and is not depreciated

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Notes to the financial statements
at 31 December 2006

1. Accounting policies (continued)
Pension costs and other post-retirement benefits

The company operates a defined benefit pension scheme for employees The assets of the scheme are held separately from those of the company

The company has provided for the full deficit of the TPS Benefits Scheme as required by FRS 17 because it has been unable to determine the individual subsidiary companies share of the underlying assets and liabilities of the scheme

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using a discount rate

Pension scheme assets are valued at market value at the balance sheet date

The pension scheme deficit is recognised in full on the balance sheet

The deferred tax relating to a defined benefit asset/liability is offset against the defined benefit asset/liability and not included with other deferred tax assets or liabilities

Group accounts

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirements to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group Advantage has been taken of the exemption available under FRS 8 not to disclose details of transactions with other TUV group undertakings as the consolidated accounts of TUV SUD AG, the ultimate parent company, in which the company and its subsidiaries are included are publicly available

2. Operating loss
This is stated after charging

		2006	2005
		£000	£000
Auditor's remuneration	- audit services	5	3
	- non-audit services	–	–

3. Exceptional items

	2006	2005
	£000	£000
Profit on disposal of tangible fixed assets	-	1,372

The profit on disposal related to the sale of the land at the company's old site in Titchfield There was no tax impact of this exceptional item

Notes to the financial statements
at 31 December 2006

4 Staff costs

	2006	*2005*
	£000	*£000*
Wages and salaries	–	–
Social security costs	–	–
Current service cost of pension fund	1,090	1,448
Contribution from TUV SUD (UK) Limited	-	(295)
Contribution from TUV Product Service Limited	(408)	(720)
Contribution from TUV NEL Limited	(510)	(746)
Contribution from British Approvals Board for Telecommunications	(32)	(34)
Pension costs - operating charge/(credit)	140	(347)
Pension costs - net finance cost	131	55
	271	(292)

The company has no employees

5. Directors' emoluments

	2006	*2005*
	£000	*£000*
Emoluments	3	14

6. Interest payable and similar charges

	2006	*2005*
	£000	*£000*
Bank interest payable	–	11
Interest payable to group undertakings	284	65
	284	76

Notes to the financial statements
at 31 December 2006

7. Taxation

(a) Tax on (loss)/profit on ordinary activities

The tax credit is made up as follows

	2006 £000	2005 £000
Current tax		
Tax overprovided in previous years	-	(100)
Total current tax (note 7(b))	-	(100)
Deferred tax		
Pension charges (note 4)	(82)	88
Origination and reversal of timing differences	(44)	(73)
Total deferred tax	(126)	15
Tax on (loss)/profit on ordinary activities	(126)	(85)

(b) Factors affecting current tax credit

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are reconciled below

	2006 £000	2005 £000
(Loss)/profit on ordinary activities before tax	(381)	1,383
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax	(114)	415
Expenses not deductible	89	23
Unrelieved tax losses	85	21
Adjustments to tax charge in respect of previous periods	-	(100)
Income not taxable	(60)	(48)
Profit on disposal not taxable	-	(411)
Total current tax (note 7(a))	-	(100)

Notes to the financial statements
at 31 December 2006

7. Taxation (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	2006 *£000*	*2005* *£000*
Included in debtors (note 10)	117	73

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

	2006 Provided *£000*	*2006* Not provided *£000*	*2005* Provided *£000*	*2005* Not provided *£000*
Tax losses available	117	187	61	142
Other timing differences	-	12	12	-
Deferred tax asset	117	199	73	142

	£000
At 1 January 2006	73
Deferred tax credit in the profit and loss account (note 7(a))	44
At 31 December 2006	117

No provision has been made for gains on disposal of fixed assets that have been rolled over into replacement assets In the opinion of the directors no such gains will crystallise

8. Tangible fixed assets

	Freehold land *£000*
Cost	
At 1 January 2006 and 31 December 2006	471
Depreciation	
At 1 January 2006 and 31 December 2006	–
Net book value	
At 1 January 2006 and 31 December 2006	471

9. Investments

	Shares in group companies £000	Loans to group companies £000	Total £000
Cost			
At 1 January 2006	19,452	2,000	21,452
Additions	8,089	–	8,089
At 31 December 2006	27,541	2,000	29,541
Amounts provided			
At 1 January 2006 and 31 December 2006	7,952	-	7,952
Net book value			
At 31 December 2006	19,589	2,000	21,589
Net book value			
At 1 January 2006	11,500	2,000	13,500

During the year the company acquired 100% of the share capital of Nuclear Technologies Plc for £8,089,000

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

Name of company	*Holding*	*Proportion held*	*Nature of business*
TUV Product Service Limited	Ordinary shares	100%	Certification services
TUV NEL Limited	Ordinary shares	100%	Certification services
Nuclear Technologies Plc	Ordinary and preference shares	100%	Consultancy services

In addition to the above the company indirectly owns 100% of the ordinary shares of two dormant subsidiaries, BABT Investment 2 Limited and BABT Investment 3 Limited, which own 100% of the ordinary shares of British Approvals Board for Telecommunications, which provides certification services

10. Debtors

	2006 £000	2005 £000
Amounts owed by group undertakings	3,821	2,211
Other debtors	65	20
Deferred taxation (note 7)	117	73
	4,003	2,304

11 Creditors: amounts falling due within one year

	2006	*2005*
	£000	*£000*
Bank overdraft	830	899
Amounts owed to group undertakings	3,630	2,500
Accruals and deferred income	62	63
	4,522	3,462

12. Creditors: amounts falling due after more than one year

	2006	*2005*
	£000	*£000*
Amounts owed to group undertakings	5,700	–

13. Pension commitments

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

TPS Benefits Scheme

The TPS Benefits Scheme is a defined benefit scheme The scheme was closed to new entrants with effect from 1 January 2006 An estimated actuarial valuation was carried out as at 31 December 2006, based on a formal valuation at 1 January 2005, by a qualified independent actuary

The major financial assumptions used by the actuary were as follows

	2006	*2005*	*2004*
	%	*%*	*%*
Rate of increase in salaries	3 5	3 5	3 5
Rate of increase in pensions in payment	2 5	2 5	2 5
Discount rate	5 3	5 3	5 8
Inflation assumption	2 5	2 5	2 5

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are

		2006		*2005*		*2004*
	Long-term rate of return expected	*Value*	*Long-term rate of return expected*	*Value*	*Long-term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities	6 8	12,474	6 8	16,544	6 8	13,162
Bonds	4 8	12,466	4 5	4,075	4 8	3,189
Others	4 3	–	4 0	1,012	4 0	20
Total market value of assets		24,940		21,631		16,371
Present value of scheme liabilities		(30,025)		(27,498)		(18,640)
Pension liability before deferred tax		(5,085)		(5,867)		(2,269)
Related deferred tax asset		1,526		1,760		681
Net pension liability		(3,559)		(4,107)		(1,588)

Notes to the financial statements
at 31 December 2006

13. Pension commitments (continued)
Analysis of movements in deficit during the year

	2006 £000	2005 £000
At 1 January	(5,867)	(2,269)
Current service cost	(1,090)	(1,448)
Net other finance costs	(131)	(55)
Actuarial gains and losses	1,053	(3,890)
Contributions	950	1,795
At 31 December	(5,085)	(5,867)

An analysis of the defined benefit cost for the year ended 31 December is as follows

	2006 £000	2005 £000
Current service cost	(1,090)	(1,448)
Total operating charge	(1,090)	(1,448)

The defined benefit scheme is now closed to new members As a consequence, under the projected unit method, the current service cost will increase as the members approach retirement

Other finance costs expected return on assets in the scheme	1,371	1,094
Other finance costs interest costs	(1,502)	(1,149)
Net other finance costs	(131)	(55)
STRGL difference between expected and actual return on assets	1,187	2,696
STRGL experience (losses)/gains arising from scheme liabilities	(134)	412
STRGL effect of changes in assumptions underlying the present value of scheme liabilities	–	(6,998)
Actuarial gains and losses	1,053	(3,890)

A history of experience gains and losses is shown below

	2006	2005	2004	2003	2002
Difference between expected return and actual return on pension scheme assets					
- amount (£000)	1,187	2,696	317	1,306	(3,996)
- % of scheme assets	4 8	12 5	1 9	9 1	(31 2)
Experience (losses)/gains arising on scheme liabilities					
- amount (£000)	(134)	412	229	353	(87)
- % of the present value of scheme liabilities	(0 4)	1 5	1 2	2 1	(0 6)
Total actuarial gains/(losses) recognised in the statement of total recognised gains and losses					
- amount (£000)	1,053	(3,890)	294	1,103	(4,594)
- % of the present value of scheme liabilities	3 5	(14 1)	1 6	6 7	(29 4)

Notes to the financial statements
at 31 December 2006

14. Related party transactions
During the year, TUV SUD (UK) Limited made purchases of services amounting to £32,300 (2005 £8,668) from Memery Crystal, a company of which P Crystal, who is a director of this company, is a partner There was no amount due to Memery Crystal at the year end (2005 £4,000)

15. Share capital

		Authorised
	2006	*2005*
	£000	*£000*
Ordinary shares of £1 each	4,500	1,200

	Allotted, called up and fully paid			
		2006		*2005*
	No	*£000*	*No*	*£000*
Ordinary shares of £1 each	4,250,000	4,250	1,156,000	1,156

During the year the company issued 3,094,000 ordinary shares of £1 each at par

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	*Share premium account £000*	*Capital contribution £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 January 2005	1,156	2,244	11,347	(4,786)	9,961
Profit for the year	–	–	–	1,468	1,468
Defined pension benefit scheme	–	–	–	(2,723)	(2,723)
At 31 December 2005	1,156	2,244	11,347	(6,041)	8,706
Loss for the year	–	–	–	(255)	(255)
New equity share capital subscribed	3,094	–	–	–	3,094
Defined pension benefit scheme	–	–	–	737	737
At 31 December 2006	4,250	2,244	11,347	(5,559)	12,282

17. Ultimate parent company
The ultimate parent company and controlling party is TUV SUD AG, a company incorporated in Germany Copies of its group financial statements, which are the smallest and largest group for which consolidated financial statements are drawn up and of which the company is a member, are available from its registered office

TUV SUD AG
Westendstrasse 199
D-80686 Munich
Germany