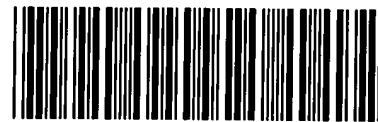


TUV SUD (UK) Limited

Report and Financial Statements

Registered Number 03224488
31 December 2016

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COMPANIES HOUSE

Company Information

Directors

M Valente
P M Crystal
W J McKnight
C Schipper

Secretary

W J McKnight

Auditors

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Bankers

National Westminster Bank plc
52 West Street
Fareham
Hampshire PO16 0JX

Solicitors

Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Registered Office

Octagon House
Concorde Way
Segensworth North
Fareham
Hampshire PO15 5RL

Registered Number

03224488

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Principal activity and review of the business

The principal activity of the company during the year was to act as the parent undertaking for the UK activities of the TUV SUD Group in the UK. Following the reorganisation of 2012, the UK Group now has one main operating company, TUV SUD Limited. The principal activities of TUV SUD Limited include:

- TUV SUD Industry Service division: provision of consultancy, research, technical evaluation, certification and project management services to industry and the public sector, with particular emphasis on the oil and gas, nuclear and renewable energy sectors
- TUV SUD Product Service division: provision of testing, compliance and certification services, mainly to the defence, aerospace and telecommunications industries
- TUV SUD Real Estate division: design of building services and provision of consulting services regarding vertical transportation systems for a wide range of projects associated with the construction and development industries in the UK, Ireland and the UAE
- Fleet Logistics division: provision of vehicle fleet management services

In addition, there is a service company, TUV SUD Services (UK) Limited, which provides business support services to the main operating company. TUV SUD BABT provides certification services for the UK Group.

The operating loss for the year amounted to £556,000 (2015 – £508,000).

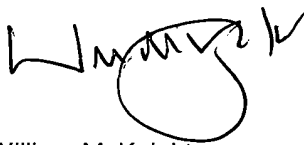
In 2016, largely as a result of further significant reductions in bond yields, an actuarial loss of £14,609,000 (2015 – £868,000) was included in the Statement of Comprehensive Income in respect of the accounting position of the TPS Benefits Scheme as at 31 December 2016. The pension scheme is funded based upon the Triennial Actuarial Valuation updated each year by the Scheme Actuary. The liabilities of the pension scheme are met by a portfolio of assets which consists of 50% equity and 50% corporate bonds and gilts. As the portfolio is not totally in bonds there will be inherent volatility in the annual accounting for pension scheme liabilities in the short and medium term. In the long term the pension scheme should benefit from equity outperformance and an expected increase in the proportion of bond levels as the membership of the scheme becomes more mature. Accordingly, the long term trend should result in a less volatile accounting measurement of the pension scheme liabilities.

Strategic report (continued)

Principal risks and uncertainties

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, cash flow and interest rate risks faced. The company also utilises long term loan arrangements with the parent undertaking to fund capital or other long term investment requirements.

On behalf of the Board



William McKnight
Director

Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL

Date: 27 March 2017

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Directors

The directors at 31 December 2016 and who served the company during the year and to the date of this report were as follows:

M Valente

W J McKnight

K Schmiederer (resigned 14 November 2016)

C Schipper (appointed 14 November 2016)

P M Crystal

Results and dividends

The profit for the year after taxation amounted to £793,000 (2015 – £732,000). The directors do not recommend a final dividend (2015 – £nil).

Future developments

The company will continue to act as the parent undertaking for the UK activities of the TUV SUD Group in the UK. The Directors continue to identify and screen potential acquisition targets which they believe the TUV SUD Group in the UK can add value to.

Charitable/political donations

During the year the company made no charitable donations or donations to any political organisations in excess of £2,000.

Going concern

In line with the FRC guidance on Going concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, and its exposure to liquidity, cash flow and interest rate risk are described in the Strategic Report on pages 2 and 3.

The company has considerable financial resources with sound business relationships with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the company is well placed to manage its business risks appropriately.

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 2006. Such qualifying third party indemnity provision was in force during the year and remains in place to the date of this report.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, in so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company auditor is aware of that information.

Directors' report (continued)

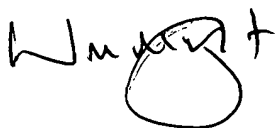
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 2 and 3.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



William McKnight
Director

Octagon House, Concorde Way, Segensworth North, Fareham, Hampshire, PO15 5RL

Date: 27 March 2017

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations, including FRS 101 *Reduced Disclosure Framework*.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 then apply them consistently;
- make judgments and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

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

We have audited the financial statements of TUV SUD (UK) Limited for the year ended 31 December 2016 set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101, *Reduced Disclosure Framework*.

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 Directors' Responsibilities Statement 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors report:

- We have not identified material misstatements in these reports; and
- In our opinion, those reports have been prepared in accordance with Companies Act 2006.

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

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.



Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
29 March 2017

Income statement

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Administrative expenses		(76)	(80)
Pension costs – operating charge		(480)	(428)
Operating loss	3	(556)	(508)
Income from affiliated companies		1,913	1,843
Profit on ordinary activities before interest and taxation		1,357	1,335
Finance income	5	195	238
Finance costs	6	(195)	(238)
Other finance cost – pensions	14	(425)	(429)
Profit on ordinary activities before income tax		932	906
Income tax expense on ordinary activities	7	(139)	(174)
Profit for the financial year		793	732

The notes on pages 12 to 26 form part of these financial statements.

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Profit for the financial year		793	732
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial losses on pension scheme	14	(14,609)	(868)
Movement on deferred tax relating to pension deficit		2,483	156
Movement on deferred tax relating to change in tax rates		(136)	(255)
Other comprehensive loss for the year		(12,262)	(967)
Total comprehensive loss for the year		(11,469)	(235)

Balance sheet

at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	8	121	121
Investments	9	33,900	35,600
		<u>34,021</u>	<u>35,721</u>
Current assets			
Debtors: amounts falling due within one year	10	10,648	10,001
Creditors: amounts falling due within one year	11	<u>(2,050)</u>	<u>(3,056)</u>
Net current assets		<u>8,598</u>	<u>6,945</u>
Total assets less current liabilities		42,619	42,666
Creditors: amounts falling due after more than one year	12	<u>(10,000)</u>	<u>(10,000)</u>
Net assets excluding pension liability		32,619	32,666
Defined benefit pension liability	14	(26,900)	(13,299)
Deferred tax asset	7	4,573	2,394
Net assets including pension liability		<u>10,292</u>	<u>21,761</u>
Capital and reserves			
Called up share capital	13	4,250	4,250
Share premium account		2,244	2,244
Capital contribution reserve		24,747	24,747
Profit and loss account		<u>(20,949)</u>	<u>(9,480)</u>
Equity shareholders' funds		<u>10,292</u>	<u>21,761</u>

The notes on pages 12 to 26 form part of these financial statements.

The financial statements were approved by the directors and authorised for issue on 27 March 2017 and are signed on their behalf by:



William McKnight
Director

Company registered number: 03224488

Statement of changes in equity

at 31 December 2016

	<i>Called up share capital £000</i>	<i>Share premium account £000</i>	<i>Capital contribution reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2015	4,250	2,244	18,747	(9,245)	15,996
Receipt of capital contribution	—	—	6,000	—	6,000
Profit for the financial year	—	—	—	732	732
Other comprehensive loss	—	—	—	(967)	(967)
Total comprehensive loss for the year	—	—	—	(235)	(235)
At 31 December 2015	4,250	2,244	24,747	(9,480)	21,761
Profit for the financial year	—	—	—	793	793
Other comprehensive loss	—	—	—	(12,262)	(12,262)
Total comprehensive loss for the year	—	—	—	(11,469)	(11,469)
At 31 December 2016	4,250	2,244	24,747	(20,949)	10,292

Notes to the financial statements

at 31 December 2016

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

TUV SUD (UK) Limited (the "Company") is a company incorporated and domiciled in the UK.

The financial statements of TUV SUD (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The presentation currency of these financial statements is Sterling.

The Company's ultimate parent undertaking, TUV SUD AG, includes the Company in its consolidated financial statements. The consolidated financial statements of TUV SUD AG are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Westendstrasse 199, D-80686 Munich, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations of share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

As the consolidated financial statements of TUV SUD AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet as at 1 January 2014 for the purpose of transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Group financial statements

The company is exempt by virtue of section 400 of the Companies Act 2006 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.

Going concern

The directors, having assessed the responses of the directors of the company's parent TUV SUD AG to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the company to continue as a going concern.

On the basis of their assessments of the company's financial position and of the enquiries made of the directors of TUV SUD AG, the company's directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and loss account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Tangible fixed assets

Freehold land is recorded at cost and is not depreciated.

Investments

Investments in group undertakings are accounted for at cost or valuation less any provision for impairment.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

The company's functional currency and presentation currency is pound sterling.

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Expenses

Finance income and cost

Interest cost include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Finance Income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2. Accounting estimates and judgements

The preparation of financial statements in accordance with FRS101 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amount of assets and liabilities recognised at the balance sheet date:

(a) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to the changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investment, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the tangible assets.

3. Auditors' remuneration

Included in profit are the following:

	2016 £000	2015 £000
Auditors' remuneration – audit of financial statements	–	–

Auditors' remuneration of £7,000 is borne by a fellow group company.

Notes to the financial statements

at 31 December 2016

4. Staff costs

(a) Staff costs

	2016	2015
	£000	£000
Current service cost of pension fund (note 14)	1,184	1,208
Administrative expenses of pension fund (note 14)	322	283
Contribution from TUV SUD Services (UK) Limited	(81)	(92)
Contribution from TUV SUD Limited	(938)	(950)
Contribution from TUV SUD BABT Unlimited	(7)	(21)
Pension costs – operating charge	<u>480</u>	<u>428</u>

The company has no employees.

(b) Directors' remuneration

	2016	2015
	£000	£000
Remuneration	<u>–</u>	<u>–</u>

Three directors are also directors of associated group undertakings, from which they received remuneration for qualifying services. The total remuneration received across all group companies for these directors amounted to £456,000 (2015 – £483,000). The directors do not believe that it is practicable to apportion this amount over the other TUV SUD group companies.

One other director did not perform any qualifying services to the company, therefore their emoluments are £nil (2015 – £nil).

5. Finance income

	2016	2015
	£000	£000
Receivable from group undertakings	<u>195</u>	<u>238</u>

6. Finance costs

	2016	2015
	£000	£000
Payable to group undertakings	<u>195</u>	<u>238</u>

Notes to the financial statements

at 31 December 2016

7. Taxation

(a) Recognised in the income statement

	2016 £000	2015 £000
Current tax:		
UK corporation tax on profit for the year	(15)	(1)
Adjustment in respect of prior periods	(14)	(16)
Total current tax	(29)	(17)
Deferred tax:		
Pension charges	171	177
Effect of decreased tax rate	(3)	14
Total deferred tax	168	191
Total tax	139	174

(b) Reconciliation of effective tax rate

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit for the year	793	732
Total corporation tax expense	139	174
Profit before tax	932	906
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	186	183
Effects of:		
Expenses not deductible for tax purposes	–	15
Adjustment in respect of prior periods	(14)	(16)
Tax rate changes	(33)	(8)
Total tax expense reported in the income statement	139	174

(c) Deferred tax

The deferred tax asset included in the balance sheet at 17% (2015 – 18%) is as follows:

	£000
At 1 January 2016	2,401
Deferred tax charge in the income statement	(168)
Deferred tax credit in the statement of comprehensive income	2,347
At 31 December 2016	4,580

Notes to the financial statements

at 31 December 2016

7. Taxation (continued)

	2016 £000	2015 £000
Included in debtors (note 10)	7	7
Included in pension liability	4,573	2,394
	<u>4,580</u>	<u>2,401</u>

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

	2016		2015	
	<i>Provided</i>	<i>Not provided</i>	<i>Provided</i>	<i>Not provided</i>
	£000	£000	£000	£000
Tax losses available	–	71	–	76
Other timing differences	4,580	–	2,401	–
Deferred tax asset	<u>4,580</u>	<u>71</u>	<u>2,401</u>	<u>76</u>

(d) Factors that may affect future tax charges

Following the provisions of the Finance Act enacted on 17 July 2013 the main UK corporation tax rate was reduced from 21% to 20% on 1 April 2015. Further reductions in the rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020 were included in the Finance Act 2016 which was substantively enacted on 15 September 2016. As the future tax rate reductions were substantively enacted at the balance sheet date deferred tax should be calculated at a hybrid rate of 19.25% for timing differences reversing in the accounting period ending 31 December 2017, 17.25% for timing differences reversing in the accounting period ending 31 December 2020 and at 17% for all differences reversing at a later date.

As the impact on the reversal of the deferred tax asset is not material, all timing differences at the balance sheet date have been calculated at 17%.

8. Tangible fixed assets

	<i>Freehold land £000</i>
Cost and carrying value:	
At 1 January 2016 and 31 December 2016	<u>121</u>

Notes to the financial statements

at 31 December 2016

9. Investments

	<i>Shares in group companies £000</i>	<i>Loans to group companies £000</i>	<i>Total £000</i>
Cost and carrying value:			
At 1 January 2015	20,900	11,900	32,800
Additions	6,000	–	6,000
Repayments	–	(3,200)	(3,200)
At 1 January 2016	26,900	8,700	35,600
Repayments	–	(1,700)	(1,700)
At 31 December 2016	26,900	7,000	33,900

The additions in 2015 are an increase in the investment in TUV SUD Limited by way of capital contributions to fund acquisitions within the group.

The company's investments at the balance sheet date in the share capital of companies include the following (items noted with * are indirect holdings):

	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Class of shares</i>	<i>Percentage held</i>
TUV SUD Limited	Main operating company of the TUV SUD Group in the UK	Scotland	Ordinary	100%
TUV SUD Services (UK) Limited	Provision of business support services to other TUV SUD Group companies	England & Wales	Ordinary	100%
*TUV SUD BABT Unlimited	Certification services	England & Wales	Ordinary	100%
*Superfresh Limited	Dormant	England & Wales	Ordinary	100%
*Dunbar & Boardman Partnership Limited	Dormant	England & Wales	Ordinary	100%
*Wallace Whittle (Holdings) Limited	Dormant	Scotland	Ordinary	100%
*Wallace Whittle Limited	Dormant	Scotland	Ordinary	100%
*Nuclear Technologies plc	Dormant	England & Wales	Ordinary	100%
*Project Management Support Services Limited	Dormant	England & Wales	Ordinary	100%
*PMSS Consulting Group Limited	Dormant	England & Wales	Ordinary	100%
*Fleet Logistics UK Limited	Dormant	England & Wales	Ordinary	100%
*BABT Investment 2 Limited	Dormant	England & Wales	Ordinary	100%
*BABT Investment 3 Limited	Dormant	England & Wales	Ordinary	100%

Notes to the financial statements

at 31 December 2016

10. Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	10,641	9,993
Other debtors	–	1
Deferred taxation (note 7(c))	7	7
	<u>10,648</u>	<u>10,001</u>

Debtors includes amounts owed by group undertakings of £10,641,000 (2015 – £9,992,000) due after more than one year.

11. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	2,010	3,010
Accruals and deferred income	40	46
	<u>2,050</u>	<u>3,056</u>

12. Creditors: amounts falling due after one year

	2016 £000	2015 £000
Amounts owed to group undertakings	<u>10,000</u>	<u>10,000</u>

13. Issued share capital

	No.	2016 £000	No.	2015 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	4,250,000	<u>4,250</u>	4,250,000	<u>4,250</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

14. Employee benefits

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

TPS Benefits Scheme

The TPS Benefits Scheme is a final salary defined benefit scheme operating under the Pension Act 2004. The scheme was closed to new entrants with effect from 1 January 2006. An estimated actuarial valuation was carried out as at 31 December 2016, based on a formal valuation at 31 December 2013, by a qualified independent actuary.

Trustees have the primary responsibility for governance of the scheme. Benefits payments are from trustee-administered funds and scheme assets are held in trusts which are governed by UK regulation. Responsibility for governance of the scheme, including setting contribution rates, lies jointly with the company and the trustees. However investment decisions are the responsibility of the trustees only. The trustee directors are comprised of nominations from the company and members in accordance with the trust deed and rules.

Notes to the financial statements

at 31 December 2016

14. Employee benefits (continued)

Funding

The contributions made to the scheme during the financial year were £2,939,000 (2015 – £2,906,000). Contributions of £2,988,000 are expected to be made to the scheme in 2017.

The risks of the scheme are as follows:

Asset matching volatility

If the value of the Scheme assets does not move in line with the value of the Scheme liabilities then a greater deficit may arise.

Longevity

Increases in life expectancy will increase non-insured Scheme liabilities, the inflation-linkage of the benefits also means that inflationary increases result in a higher sensitivity to increase in life expectancy.

The major assumptions used by the actuary were (in nominal terms):

	2016	2015	2014
	%	%	%
Rate of increase in salaries	3.35	3.25	3.35
Rate of increase in pensions in payment	3.20	3.10	3.20
Discount rate	2.50	3.60	3.60
Inflation assumption – retail prices index	3.35	3.25	3.35
Inflation assumption – consumer prices index	2.35	2.25	2.15

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experiences in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2016	2015	2014
Member age 65 (current life expectancy)			
Men	23.2	23.2	23.2
Women	25.2	25.2	25.2
Member age 45 (life expectancy at age 65)			
Men	25.1	25.1	25.1
Women	26.8	26.8	26.8

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2016	2015
	£000	£000
Defined benefit asset	73,458	61,439
Defined benefit liability	(100,358)	(74,738)
Net liability for defined benefit obligations	(26,900)	(13,299)
Cash-settled share-based payment transactions liability	–	–
Total employee benefits	(26,900)	(13,299)

Notes to the financial statements

at 31 December 2016

14. Employee benefits (continued)

Movements in net defined benefit liability

	<i>Defined benefit obligation</i>		<i>Fair value of plan assets</i>		<i>Net defined benefit (liability)/asset</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 January	(74,738)	(73,232)	61,439	59,815	(13,299)	(13,417)
Included in income statement						
Current service cost	(1,184)	(1,208)	–	–	(1,184)	(1,208)
Interest (cost)/income	(2,663)	(2,606)	2,238	2,177	(425)	(429)
Included in other comprehensive income						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Changes in demographic assumptions	(1,700)	–	–	–	(1,700)	–
- Change in financial assumptions	(21,185)	897	–	–	(21,185)	897
- Experience adjustment	(32)	42	–	–	(32)	42
Return on plan assets excluding interest income	–	–	8,308	(1,807)	8,308	(1,807)
Other						
Contributions paid by the employer	–	–	2,939	2,906	2,939	2,906
Benefits paid	1,439	1,701	(1,439)	(1,701)	–	–
Contributions paid by the employee	(295)	(332)	295	332	–	–
Administration expenses	–	–	(322)	(283)	(322)	(283)
Balance at 31 December	(100,358)	(74,738)	73,458	61,439	(26,900)	(13,299)

Notes to the financial statements

at 31 December 2016

14. Employee benefits (continued)

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	<i>Impact on defined benefit obligation</i>		
	<i>Change in assumption</i>	<i>Increase in assumption</i>	<i>Decrease in assumption</i>
The value of obligation at the end of the year if:		£000	£000
Discount rate	1.0%	80,714	124,963
Inflation	0.75%	111,992	89,996

In valuing the liabilities of the pension fund at 31 December 2016, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2016 would have increased by £2,812,000 before deferred tax.

The above analyses assume that assumption changes occur in isolation except in the case of inflation where any change is assumed to have a corresponding impact on inflation-linked pension increases. In practice, this is unlikely to occur and some assumptions may be correlated. The same method (projected unit method) has been applied when calculating these sensitivities.

The fair value of the plan assets was:

	2016	2015
	£000	£000
UK Equities	22,075	18,772
Overseas Equities	14,209	12,652
Index Linked Gilts	10,908	8,772
Fixed Interest Gilts	11,006	8,992
Bonds	14,424	12,217
Cash	836	34
	<u>73,458</u>	<u>61,439</u>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

15. Subsequent events

There were no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported on the financial position of the company.

Notes to the financial statements

at 31 December 2016

16. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is TÜV SÜD AG, a company Incorporated in Germany. Copies of its group financial statements, which are the smallest and largest group for which group financial statements are drawn up and of which the company is a member, are available from its registered office:

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D-80686 Munich
Germany