

COMPANY REGISTRATION NUMBER 00876216

DUNHAM-BUSH LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31st DECEMBER 2012



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Northarbour Road  
Cosham  
Portsmouth  
PO6 3TH

DUNHAM-BUSH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

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DUNHAM-BUSH LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Mr M J Holding Mr M Ghassian Mr P Titchener Mr D Shuttleworth Mr Z Li Mr Q Wang Mr Y Jiao
Registered office	Downley Road Havant Hampshire PO9 2JD
Auditor	taylorcocks Chartered Accountants & Statutory Auditor 3 Acorn Business Centre Northarbour Road Cosham Portsmouth PO6 3TH
Bankers	National Westminster Bank Plc 23 West Street Havant Hampshire PO9 1EJ  RBS Invoice Finance Limited Smith House Elmwood Avenue Feltham Middlesex TW13 7QD
Solicitors	Blake Lapthorn New Kings Court Tollgate Chandlers Ford Eastleigh SO53 3LG

# DUNHAM-BUSH LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31st DECEMBER 2012

The directors have pleasure in presenting their report and the financial statements of the company for the period ended 31st December 2012

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was the manufacture and sale of heating and air conditioning equipment, together with the servicing of installed systems

A review of the business and future developments of Dunham-Bush Limited is contained within the Directors' Report in the group accounts of the company's holding company, Dunham-Bush (Europe) Plc

### RESULTS AND DIVIDENDS

The loss for the period amounted to £103,235 The directors have not recommended a dividend

### DIRECTORS

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

Mr M J Holding	
Mr M Ghiassian	
Mr P Titchener	
Mr D Shuttleworth	
Mr V Lepin	(Resigned 1st October 2012)
Mr Z Li	(Appointed 1st October 2012)
Mr Q Wang	(Appointed 1st October 2012)
Mr Y Jiao	(Appointed 1st October 2012)

### DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with those International Financial Reporting Standards as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

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

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

DUNHAM-BUSH LIMITED

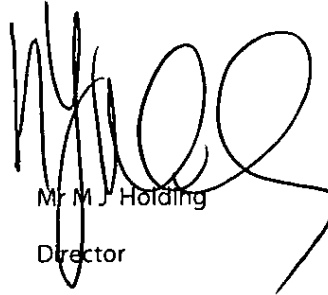
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2012

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Signed on behalf of the directors



Mr M J Holding  
Director

Approved by the directors on 6/3/13

## DUNHAM-BUSH LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUNHAM-BUSH LIMITED

YEAR ENDED 31st DECEMBER 2012

We have audited the financial statements of Dunham-Bush Limited for the year ended 31st December 2012 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 2, 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

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

#### 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 31st December 2012 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

DUNHAM-BUSH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DUNHAM-BUSH LIMITED *(continued)*

YEAR ENDED 31st DECEMBER 2012

**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

Graham Figgins (Senior Statutory Auditor)

For and on behalf of



Office Portsmouth

Date

6/3/13

DUNHAM-BUSH LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31st DECEMBER 2012

	Note	Year ended 31 Dec 2012 £	Period ended 31 Dec 2011 £
Continuing operations			
Revenue	2	9,235,652	5,396,675
Cost of sales		7,171,251	4,098,526
Gross profit		<u>2,064,401</u>	<u>1,298,149</u>
Distribution costs		937,538	572,601
Administrative expenses		630,950	428,965
Net loss/(gain) on foreign currency translation		(43,484)	83,813
Operating profit from continuing operations	3	<u>539,397</u>	<u>212,770</u>
Finance costs	6	802,632	495,365
Profit/(loss) on continuing activities before taxation		<u>(263,235)</u>	<u>(282,595)</u>
Taxes	7	-	-
Profit/(loss) for the period		<u>(263,235)</u>	<u>(282,595)</u>
Other comprehensive income		-	-
Total comprehensive income		<u>(263,235)</u>	<u>(282,595)</u>

All of the activities of the company are classed as continuing

All of the profit/(loss) for the period is attributable to the equity holders of Dunham-Bush Limited

The notes on pages 10 to 27 form part of these financial statements



DUNHAM-BUSH LIMITED  
STATEMENT OF FINANCIAL POSITION  
31st DECEMBER 2012

	Note	As at 31 Dec 2012 £	As at 31 Dec 2011 £
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	8	3,518,232	3,595,726
		<u>3,518,232</u>	<u>3,595,726</u>
Current assets			
Inventories	9	1,234,759	1,524,953
Trade and other receivables	10	4,754,173	4,740,983
Cash and cash equivalents		15,343	234
		<u>6,004,275</u>	<u>6,266,170</u>
<b>Total assets</b>		<u>9,522,507</u>	<u>9,861,896</u>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	11	2,854,634	2,982,969
Financial liabilities	12	1,239,039	1,326,818
		<u>4,093,673</u>	<u>4,309,787</u>
Non-current liabilities			
Financial liabilities	12	1,400,695	1,613,735
Retirement benefit obligation	13	1,232,000	879,000
		<u>2,632,695</u>	<u>2,492,735</u>
<b>Total liabilities</b>		<u>6,726,368</u>	<u>6,802,522</u>
<b>NET ASSETS</b>		<u>2,796,139</u>	<u>3,059,374</u>
<b>EQUITY</b>			
Called up share capital	17	100	100
Retained earnings		2,796,039	3,059,274
<b>Total equity</b>		<u>2,796,139</u>	<u>3,059,374</u>

These financial statements were approved by the directors and authorised for issue on 6/3/13, and are signed on their behalf by

MR M J HOLDING

Company Registration Number 00876216

The notes on pages 10 to 27 form part of these financial statements

DUNHAM-BUSH LIMITED

STATEMENT OF CHANGES IN EQUITY

31st DECEMBER 2012

	Equity share capital £	Retained earnings £	Total shareholders' equity £
At 1st May 2011	100	3,341,869	3,341,969
Loss for the period	-	(282,595)	(282,595)
Total recognised income and expense for the period	-	(282,595)	(282,595)
At 31st December 2011	100	3,059,274	3,059,374
Loss for the year	-	(263,235)	(263,235)
Total recognised income and expense for the year	-	(263,235)	(263,235)
At 31st December 2012	100	2,796,039	2,796,139

The notes on pages 10 to 27 form part of these financial statements

## DUNHAM-BUSH LIMITED

## STATEMENT OF CASH FLOW

YEAR ENDED 31st DECEMBER 2012

	Year ended 31 Dec 2012 £	Period ended 31 Dec 2011 £
Operating activities		
Operating profit	539,397	212,770
<i>Adjustments to reconcile operating profit/(loss) to net cash flows from operating activities</i>		
Depreciation of property, plant and equipment	92,609	78,781
Defined benefit pension contributions and expenses paid	(254,039)	(163,958)
Decrease/(increase) in inventories	290,194	(257,323)
(Increase)/decrease in trade and other receivables	(13,190)	9,710
(Decrease)/increase in trade and other payables	(128,336)	331,459
Net cash flow from operating activities	<u>526,635</u>	<u>211,439</u>
Investing activities		
Purchase of property, plant and equipment	(15,114)	-
Net cash flow from investing activities	<u>(15,114)</u>	<u>-</u>
Financing activities		
Interest paid	(195,593)	(106,407)
New bank loans	-	-
Repayment of bank loans	(194,841)	(123,296)
Repayment of hire purchase	(13,435)	(28,285)
Net cash flow from financing activities	<u>(403,869)</u>	<u>(257,988)</u>
(Decrease)/increase in cash and cash equivalents	<u>107,652</u>	<u>(46,549)</u>
Cash and cash equivalents at the beginning of the period	(1,117,283)	(1,070,734)
Cash and cash equivalents at the end of the period	<u>(1,009,631)</u>	<u>(1,117,283)</u>

## CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Cash in hand	15,343	234
Bank overdrafts (see note 12)	(144,610)	(183,019)
Commercial finance loan (see note 12)	(880,364)	(934,498)
	<u>(1,009,631)</u>	<u>(1,117,283)</u>

The notes on pages 10 to 27 form part of these financial statements

1 ACCOUNTING POLICIES

Statement of compliance with IFRS

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as they apply to the financial statements of the company for the year ended 31st December 2012 and applied in accordance with the Companies Act 2006

Going concern

The directors have carefully considered the funding requirements of the company for the foreseeable future. Facilities are in place with National Westminster Bank Plc, comprising a term loan (repayable over 8 years) of £1.6m, secured on the freehold property and an overdraft facility of £250,000.

Additional facilities exist with Royal Bank of Scotland Invoice Finance Limited, secured on the trade debts of the company.

On the basis of the budgets that have been prepared, given the facilities in place and the continued support from the company's holding company, Dunham-Bush Limited will have adequate resources to continue in operational existence for the foreseeable future and accordingly the accounts have been prepared on a going concern basis.

Basis of preparation

The basis of preparation and accounting policies set out in this Report and Accounts have been prepared in accordance with the recognition and measurement criteria of IFRS, which also include International Accounting Standards (IAS's), as issued by the IASB and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis and on the going concern basis. The Company's financial statements are presented in pounds sterling.

Accounting policies

The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31st December 2012. These policies have been consistently applied to all periods presented unless otherwise stated.

New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRS's have been adopted in these financial statements. The application of these new and revised IFRS's has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 *Severe Hyperinflation*
- Amendments to IFRS 1 *Removal of Fixed Dates for First-time Adopters*
- Amendments to IFRS 7 *Transfers of Financial Assets*
- Amendments to IAS 12 *Deferred Tax Recovery of Underlying Assets*

Amendments to IFRS 1 *Severe Hyperinflation*

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

Amendments to IFRS 1 *Removal of Fixed Dates for First-time Adopters*

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

## 1 ACCOUNTING POLICIES (continued)

*Amendments to IFRS 7 Transfers of Financial Assets*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

*Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets*

The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 *Income Taxes* that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable assumption that the carrying amount of an investment property measured using the fair value model in IAS 40 *Investment Property* will be recovered entirely through sale.

New and revised IFRSs in issue but not yet effective

The company has not applied the following new and revised IFRS's that have been issued but are not yet effective

	<i>Effective date for annual periods beginning on or after</i>
• IFRS 9 <i>Financial Instruments (as revised in 2010)</i>	1 January 2015
• Amendments to IFRS 9 and IFRS 7 <i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>	1 January 2015
• IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
• IFRS 11 <i>Joint Arrangements</i>	1 January 2013
• IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
• Amendments to IFRS 10, IFRS 11 and IFRS 12 <i>Consolidate Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance</i>	1 January 2013
• IAS 27 <i>Separate Financial Statements (as revised in 2011)</i>	1 January 2013
• IAS 28 <i>Investments in Associates and Joint Ventures (as revised in 2011)</i>	1 January 2013
• IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
• IAS 19 <i>Employee Benefits (as revised in 2011)</i>	1 January 2013
• Amendments to IFRS 1 <i>Government Loans</i>	1 January 2013
• Amendments to IFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
• Amendments to IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
• Amendments to IAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
• <i>Annual Improvements to IFRSs 2009-2011 Cycle</i>	1 January 2013
• IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

*IFRS 9 Financial Instruments (as revised in 2010)*

IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets.

Under IFRS 9, all recognised financial assets that are currently under the scope of IAS 39 *Financial Instruments Recognition and Measurement* will be subsequently measured at either amortised cost or fair value. All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss.

New and revised IFRSs on consolidation, joint arrangements, associates and disclosures

*IFRS 13 Fair Value Measurement*

IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. It applies to both financial instruments and non-financial instruments for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements.

1 ACCOUNTING POLICIES *(continued)*

*IAS 19 Employee Benefits (as revised in 2011)*

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Another significant change to IAS 19 relates to the presentation of changes in defined benefit obligations and plan assets with changes being split into three components: Service cost, Net interest and Remeasurement.

As a result, the profit and loss will no longer include an expected return on plan assets; instead, imputed financial income is calculated on the plan assets and is recognised as part of the net interest cost in profit or loss. Any actual return above or below the imputed financial income on plan assets is recognised as part of remeasurement in other comprehensive income.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

*Amendments to IFRS 1 Government Loans*

The amendments provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to government loans outstanding at the date of transition to IFRSs.

*Amendments to IAS 32 and IFRS 7*

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. The amendment to IFRS 7 requires entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

*Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income, and the income statement is renamed as a statement of profit or loss.

*Significant judgements and estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

(a) Pensions and other post-retirement benefits

The cost and valuation of defined benefit pension plans is determined using actuarial valuations. This involves making assumptions about discount rates, expected rate of return on assets, future salary and pensions increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 13.

1 ACCOUNTING POLICIES *(continued)*

(b) Impairment of non-financial assets

When the recoverable amount of an asset, being the higher of its net selling price and its value in use, is less than its carrying amount, then the carrying amount is reduced to its recoverable value. This reduction is reported in the income statement as an impairment loss. Value in use is calculated using estimated cash flows, generally over a five-year period. These are discounted using an appropriate long-term pre-tax interest rate. When an impairment arises, the useful life of the asset in question is reviewed and, if necessary, the future depreciation/amortisation charge is accelerated.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is not recognised until the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Turnover from services provided is recognised upon performance of the services.

Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials, consumables and goods - purchase cost on a first-in, first out basis for resale

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity

The realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal through the normal course of business.

An allowance is recorded for obsolescence.

Research costs

Research costs are expensed as incurred.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost of purchase or construction and are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

Freehold Property	- over 30 years
Plant & Machinery	- 5 to 15 years

Repairs and maintenance costs are recognised as expenses as incurred. Borrowing costs are not capitalised.

As permitted by IFRS, property previously revalued before the transition date will be treated as deemed cost at the transition date.

1 ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and invoice discounting facilities ("Commercial finance loan")

Financial liabilities – interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost under the effective interest rate method.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

Taxation

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

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

Pensions and other post-retirement benefits

The company operates two types of pension schemes, which are presented in these financial statements in accordance with IAS 19 'Employee Benefits', the accounting treatment for which is set out below.

Defined contribution scheme

A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.



1 ACCOUNTING POLICIES *(continued)*

Defined benefit scheme

A defined benefit scheme is a pension scheme that is not a defined contribution scheme

The assets of the defined benefit pension scheme are measured at fair value and the pension schemes liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality sterling corporate bond of equivalent term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each statement of financial position date. The resulting net defined benefit asset or liability is presented separately on the face of the statement of financial position.

Past service costs are recognised when the benefit has been given. The financing cost and expected return on plan assets are recognised within financing costs in the periods in which they arise. The accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions (actuarial gains and losses) that are less than 10 per cent of the higher of pension benefit obligations and pension plan assets at the beginning of the year are not recorded. When the accumulated effect is above 10 per cent the excess amount is recognised on a straight-line basis in the income statement over the estimated average remaining service period.

Fair values

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques. The fair values at the statement of financial position date are approximately in line with their reported carrying values unless specifically mentioned in the notes to the financial statements.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Foreign currency translation

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 statement of financial position date. All differences are taken to the income statement.

## DUNHAM-BUSH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

## 2 REVENUE

An analysis of the company's revenue for the period is as follows

	Year ended 31 Dec 2012 £	Period ended 31 Dec 2011 £
Total revenue by destination		
United Kingdom	7,432,515	5,101,607
Overseas sales	1,803,137	295,068
	<u>9,235,652</u>	<u>5,396,675</u>
 Total revenue by operations		
Sale of goods	8,618,865	5,015,702
Servicing	616,787	380,973
	<u>9,235,652</u>	<u>5,396,675</u>

All revenue arises from continuing operations in the periods ended 31st December 2012 and 31st December 2011

## 3 OPERATING PROFIT

Operating profit from continuing operations is stated after charging/(crediting)

	Year ended 31 Dec 2012 £	period ended 31 Dec 2011 £
Depreciation of owned fixed assets	70,623	59,583
Depreciation of assets held under hire purchase agreements	21,986	19,198
Auditor's remuneration		
- as auditor	21,750	17,100
- for other services	3,250	2,220
Operating lease payments – minimum lease payments		
- Plant and equipment	16,727	12,515
- Vehicles	81,809	48,836
Net loss/(gain) on foreign currency translation	<u>(43,484)</u>	<u>83,813</u>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

## 4 STAFF COSTS

The average number of staff employed by the company during the financial period amounted to

	Year ended 31 Dec 2012	Period ended 31 Dec 2011
	No	No
Number of production staff	80	85
Number of administrative staff	17	17
Number of management staff	3	3
	<u>100</u>	<u>105</u>

The aggregate payroll costs of the above were

	Year ended 31 Dec 2012	Period ended 31 Dec 2011
	£	£
Wages and salaries	2,302,530	1,436,526
Social security costs	222,294	145,473
Pension costs – defined benefit scheme (note 13)	–	–
Pension costs – defined contribution schemes	27,568	19,760
	<u>2,552,392</u>	<u>1,601,759</u>

Pension costs in respect of the defined benefit scheme are amounts charged to operating profit and do not include amounts charged to finance costs (see note 6)

## 5 DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	Year ended 31 Dec 2012	Period ended 31 Dec 2011
	£	£
Aggregate emoluments	112,619	79,178
Contribution to defined contribution schemes	4,470	3,180
	<u>109,876</u>	<u>82,358</u>

The number of directors who accrued benefits under company pension schemes was as follows

	As at 31 Dec 2012	As at 31 Dec 2011
	No	No
Money purchase schemes	<u>2</u>	<u>3</u>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

## 6 FINANCE COSTS

	Year ended 31 Dec 2012 £	Period ended 31 Dec 2011 £
Interest payable on bank loans and overdrafts	139,272	81,620
Interest payable on commercial finance loan	53,392	22,895
Interest on obligations under hire purchase agreements	2,929	1,892
Finance cost of defined benefit pension plans (note 13)	600,000	382,000
Pension scheme professional fees	7,039	6,958
	<u>802,632</u>	<u>495,365</u>

## 7 TAXATION ON ORDINARY ACTIVITIES

## Current income tax

There is no tax charged in the income statement for the period ended 31st December 2012 (31st December 2011 - £nil)

## Deferred tax

The company has unrecognised tax losses arising in the UK of approximately £1,650,000 that are available and may be offset against future taxable profits. These losses have not been recognised as a deferred taxation asset.

## Reconciliation of the total tax charge

The tax rate in the income statement for the period is lower than the standard rate of corporation tax in the UK of 26% (2011 - 26%). The differences are reconciled below.

	Year ended 31 Dec 2012 £	Period ended 31 Dec 2011 £
Accounting (loss)/profit before taxation	(263,235)	(282,595)
Accounting (loss)/profit multiplied by the UK standard rate of corporation tax of 26% (2011 - 26%)	(68,441)	(73,475)
Expenses not deductible for tax purposes		676
Losses for which deferred tax is not recognised		-
Utilisation of losses brought forward	(35,556)	3,724
Other temporary differences for which deferred tax is not recognised	103,997	69,075
Total current tax	<u>-</u>	<u>-</u>

## DUNHAM-BUSH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

## 8 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land £	Freehold Buildings £	Plant & Machinery £	Total £
<b>COST</b>				
At 1st May 2011	2,579,000	1,311,748	1,270,400	5,167,148
Additions	-	-	32,178	32,178
At 31st December 2011	2,579,000	1,317,748	1,302,578	5,199,326
Additions	-	-	15,114	15,114
At 31st December 2012	<u>2,579,000</u>	<u>1,317,748</u>	<u>1,317,692</u>	<u>5,214,440</u>
<b>DEPRECIATION</b>				
At 1st May 2011	-	495,731	1,029,088	1,524,819
Provided during the period	-	34,344	44,437	78,781
At 31st December 2011	-	530,075	1,073,525	1,603,600
Provided during the year	-	51,515	41,094	92,609
At 31st December 2012	<u>-</u>	<u>581,590</u>	<u>1,114,619</u>	<u>1,696,209</u>
<b>NET BOOK VALUE</b>				
Net book value at 31st December 2012	<u>2,579,000</u>	<u>736,158</u>	<u>203,074</u>	<u>3,518,232</u>
Net book value at 31st December 2011	<u>2,579,000</u>	<u>787,673</u>	<u>229,053</u>	<u>3,595,726</u>
Net book value at 30th April 2011	<u>2,579,000</u>	<u>822,017</u>	<u>241,312</u>	<u>3,642,329</u>

Included within the net book value of Plant & Machinery is £135,396 (2011 - £143,623) relating to assets of which hire purchase agreements are secured upon

At 31st December 2012, bank loans and overdrafts are secured on the freehold land and buildings with a book value of £3,315,158 (2011 - £3,366,673)

## 9 INVENTORIES

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Raw materials	519,426	626,100
Work in progress	547,390	678,811
Finished goods	167,943	220,042
	<u>1,234,759</u>	<u>1,524,953</u>

DUNHAM-BUSH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

10 TRADE AND OTHER RECEIVABLES

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Amounts falling due within one year		
Trade receivables	1,555,225	1,496,098
Amounts owed by group undertakings	3,107,321	3,175,926
Prepayments and accrued income	91,627	68,959
	<u>4,754,173</u>	<u>4,740,983</u>

Trade receivables are non-interest bearing and are generally on between 30 and 60 days' terms and are shown net of any provisions for impairment. At 31st December 2012, trade receivables at a nominal value of £216,783 (2011 - £215,425) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Opening provision	215,425	210,514
Charge for the period	22,198	15,573
Amounts written off	(20,840)	(10,662)
Closing provision	<u>216,783</u>	<u>215,425</u>

Of the total trade receivables shown above, £269,766 (2011 - £284,526) are past due, but not impaired. An analysis of these trade receivables is as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
0 – 30 days overdue	180,134	247,118
30+ days overdue	89,632	37,408
	<u>269,766</u>	<u>284,526</u>

Due to the nature and number of the company's customers, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Customers are assessed for financial reliability using external rating agencies.

11 TRADE AND OTHER PAYABLES

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Amounts falling due within one year		
Trade payables	885,245	1,093,923
Amounts owed to group undertakings	1,634,750	1,581,997
PAYE, social security and VAT	126,378	139,644
Other creditors	6,937	7,107
Accruals and deferred income	201,324	160,298
	<u>2,854,634</u>	<u>2,982,969</u>

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

## 12 FINANCIAL LIABILITIES

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Current		
Bank overdrafts	144,610	183,019
Commercial finance loan	880,364	934,498
Current instalments due on bank loans	200,629	195,865
Hire purchase agreements	13,436	13,436
	<u>1,239,039</u>	<u>1,326,818</u>
Non-current		
Non-current instalments due on bank loans	1,377,954	1,577,559
Hire purchase agreements	22,741	36,176
	<u>1,400,695</u>	<u>1,613,735</u>

The bank overdrafts and commercial finance loan incurred interest during the period at 1.45% and 3.00% above base rate respectively

## Bank loans

The bank loans incurred interest during the period at 1.25% above base and are due for repayment as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
In one year or less or on demand	200,629	195,865
In more than one year but not more than two years	208,150	203,649
In more than two years but not more than five years	653,037	638,916
In more than five years	516,768	734,994
	<u>1,578,584</u>	<u>1,773,424</u>

## Hire purchase agreements

The hire purchase agreements are held on fixed interest rates which range between 2.95% and 7.75%. The future minimum lease payments under hire purchase contracts are as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Future minimum payments due		
Within one year	16,365	16,365
After more than one year but within two years	16,365	16,365
After more than two years but within five years	11,502	27,867
	<u>44,232</u>	<u>60,597</u>
Less finance charges	(8,056)	(10,985)
Present value of minimum lease payments	<u>36,176</u>	<u>49,612</u>
The present value of minimum lease payments is analysed as follows		
Within one year	13,436	13,436
After more than one year but within five years	22,740	36,176
	<u>36,176</u>	<u>49,612</u>

## 13 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The company operates a defined contributions pension scheme for the executive directors and the employees of Dunham-Bush Limited. The assets of the scheme are held separately from those of the company in an independently administered fund.

Dunham-Bush Limited also operates a defined benefit pension scheme for the benefit of the employees working in the United Kingdom. The funds of the plan are administered by Trustees and are separate from the company.

Independent qualified actuaries periodically undertake formal valuations of the Plan. The most recent actuarial valuation for accounting purposes of the Dunham-Bush Retirement Benefits Plan was undertaken as at 31st December 2012.

Assets have been taken at market value and the assumptions for valuing liabilities are selected to reflect market yields at the valuation date.

It should be noted that following consultation with the Trustees of the Scheme and Scheme members, the scheme was closed to further service accrual with effect from 30th September 2006.

The assets and liabilities of the defined benefit pension scheme are

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Equities	1,139,000	1,153,000
Property	193,000	618,000
Gilts	2,316,000	2,213,000
Corporate bonds	1,403,000	1,225,000
Cash	323,000	309,000
Fair value of scheme assets	5,374,000	5,518,000
Present value of scheme liabilities	(9,440,000)	(8,974,000)
Net pension liability	(4,066,000)	(3,456,000)
Net pension liability represented by		
Net pension (liability)/asset recognised	(1,232,000)	(879,000)
Cumulative actuarial losses not recognised	(2,834,000)	(2,577,000)
	(4,066,000)	(3,456,000)

The amounts recognised in the income statement for the period are as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Recognised in arriving at operating profit/(loss)	—	—
Expected return on scheme assets	204,000	196,000
Interest cost on scheme liabilities	(413,000)	(314,000)
Scheme expenses borne by employers	(214,000)	(142,000)
Amortisation of actuarial losses in excess of corridor	(177,000)	(122,000)
Finance cost in respect of defined benefit schemes	(600,000)	(382,000)



13 PENSIONS AND OTHER POST-RETIREMENT BENEFITS *(continued)*

Unrecognised cumulative actuarial gains and losses are as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
At 31st December 2011	(2,577,000)	(2,816,000)
Actual return on scheme assets	356,000	223,000
Less expected return on scheme assets	(204,000)	(196,000)
	<u>152,000</u>	<u>27,000</u>
Other actuarial gains and losses	(586,000)	90,000
Amortisation of actuarial losses in excess of the corridor	177,000	122,000
At 31st December 2012	<u>(2,834,000)</u>	<u>(2,577,000)</u>

The actuarial assumptions made for the expected rates of return on assets were derived by considering best estimates for the expected long-term real rates of return from the main asset classes and combining these in proportions for each scheme. These assumed rates of return are net of investment expenses.

Pension contributions are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method. Scheme assets are stated at their market values at the statement of financial position dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets. The main assumptions used by the actuary are

	As at 31 Dec 2012	As at 31 Dec 2011
Discount rate of obligation	4.20%	4.70%
Inflation	1.80%	2.70%
Rate of increases in pensionable salaries	n/a	n/a
Long-term rate of return on plan assets	3.80%	3.80%
Equities	5.50%	5.50%
Property	5.00%	5.00%
Gilts	2.50%	2.50%
Corporate bonds	4.70%	4.70%
Cash	0.50%	0.50%
Future pension increases		
Index-linked, maximum 5.0% pa, minimum 0.0% pa	2.30%	2.00%
Index-linked, maximum 3.0% pa, minimum 0.0% pa	2.30%	1.80%
Index-linked, maximum 2.5% pa, minimum 0.0% pa	2.30%	1.70%
Pre-retirement revaluation on non-GMPs	2.00%	2.00%
Mortality model	S1PxA YoB <u>CMI_2011</u>	S1PxA YoB <u>CMI_2010</u>

The discount rate for the defined benefit scheme has been set by reference to the Merrill Lynch AA grade sterling corporate bonds over a 15 year term.

DUNHAM-BUSH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

13 PENSIONS AND OTHER POST-RETIREMENT BENEFITS *(continued)*

Changes in the present value of the defined benefit obligations are analysed as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
At 31st December 2011	8,974,000	9,020,000
Interest cost	413,000	314,000
Actuarial gains and losses	586,000	(90,000)
Benefits paid	(533,000)	(270,000)
At 31st December 2012	<u>9,440,000</u>	<u>8,974,000</u>

Changes in the fair value of the defined benefit scheme assets are analysed as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
At 31st December 2011	5,518,000	5,550,000
Expected return on assets	204,000	196,000
Actuarial gains and losses	152,000	27,000
Company contributions	247,000	157,000
Pension scheme administrative expenses and pension fund levies	(214,000)	(142,000)
Benefits paid	(533,000)	(270,000)
At 31st December 2012	<u>5,374,000</u>	<u>5,518,000</u>

The company expects to contribute £267,000 to its defined benefit pension scheme in the year to 31st December 2013

History of experience gains and losses

	31 Dec 2012 £	31 Dec 2011 £	30 Apr 2011 £	30 Apr 2010 £	30 Apr 2009 £
Fair value of scheme assets	5,374,000	5,518,000	5,550,000	5,421,000	4,758,000
Present value of defined benefit obligation	(9,440,000)	(8,974,000)	(9,020,000)	(9,170,000)	(7,478,000)
Deficit in the scheme	<u>(4,066,000)</u>	<u>(3,456,000)</u>	<u>(3,470,000)</u>	<u>(3,749,000)</u>	<u>(2,720,000)</u>
Experience adjustments arising on scheme assets	152,000	27,000	76,000	695,000	(1,256,000)
Experience adjustments arising on scheme liabilities	(586,000)	90,000	299,000	(1,544,000)	569,000

The Directors are unable to determine how much of the pension scheme surplus or deficit recognised on transition to IFRS and taken directly to equity is attributable to actuarial gains and losses since inception of those pension schemes

DUNHAM-BUSH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

14 COMMITMENTS UNDER OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases are as follows

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Not later than one year	43,743	57,489
After 1 year but not more than 2 years	29,400	31,537
After 2 years but not more than 5 years	12,467	18,232
	<u>85,610</u>	<u>107,258</u>

The major part of these commitments relate to operating leases in respect of motor vehicles

15 FINANCIAL INSTRUMENTS

The company uses financial instruments, other than derivatives, comprising cash, short term borrowings, trade creditors and trade debtors, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate risk, foreign currency risk and liquidity risk. It is the company's policy to minimise the cost of borrowings whilst retaining the flexibility of funding opportunities. This policy remained unchanged from prior periods. The structure of borrowings is kept under review and a minimum risk approach has been adopted.

It is and has been throughout the period under review, the company policy that no trading in financial instruments shall be undertaken.

Interest rate risk

The company's interest rate risk relates to financial liabilities (see note 12).

Foreign currency risk

The company is exposed to translation risk. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the company.

Liquidity risk

The maturity profile of the company's financial liabilities based on contractual undiscounted payments is included in note 12.

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities are valued using a fair value hierarchy in accordance with IFRS 7. There is no material difference between the book values and fair values of the financial assets and liabilities of the company at 31st December 2012.

Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

# DUNHAM-BUSH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

### 16 RELATED PARTY TRANSACTIONS

#### Parent entity

Dunham-Bush Limited is a wholly owned subsidiary of Dunham-Bush (Europe) plc, a company incorporated in England & Wales. At the period end the company was owed £2,948,635 (2011 - £2,998,008) by Dunham-Bush (Europe) Plc

#### Compensation of key management personnel

The key management personnel comprise the Managing Director, Operations Director and Finance Director of the company. The compensation of the Managing Director is disclosed within the parent company accounts. The compensation of the Operations Director and Finance Director is disclosed in note 5 above.

#### Entities with control over the company

The company is part of a larger group, Yantai Moon Group Co Limited a company incorporated in The Peoples Republic of China. During the period the company entered into the following transactions with other members of the group headed by Dunham-Bush Holding Bhd

	Year ended 31 Dec 2012 £	Period ended 31 Dec 2011 £
Aggregate sales to	9,032	-
Aggregate purchases from	421,735	92,073

All of the above transactions were undertaken on normal commercial terms. The company was also charged interest during the period on loans with other members of the group headed by Dunham-Bush Holding Bhd of £5,096 (2011 - £5,096)

At the statement of financial position date the company had the following balances with other members of the group headed by Dunham-Bush Holding Bhd

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
Trading balances included in trade and other receivables	158,686	177,918
Trading balances included in trade and other payables	1,367,693	1,301,084
Loans included within trade and other payables	267,057	280,913

All of the above balances arose through the course of trading, except for the loans included within trade and other payables which have no formal terms of repayment, but incurs interest at 3% per annum. None of the balances are secured.

### 17 SHARE CAPITAL

#### Authorised share capital

	As at 31 Dec 2012 £	As at 31 Dec 2011 £
100 Ordinary shares of £1 each	100	100

#### Allotted, called up and fully paid

	As at 31 Dec 2012		As at 31 Dec 2011	
	No	£	No	£
Ordinary shares of £1 each	100	100	100	100

DUNHAM-BUSH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 2012

18 ULTIMATE PARENT COMPANY

The company's holding company is Dunham-Bush (Europe) plc. The consolidated accounts of Dunham-Bush (Europe) plc are those of the smallest group of which the company is a member and for which group accounts are prepared. Copies of the accounts of Dunham-Bush (Europe) plc can be obtained from the Company Secretary, Dunham-Bush (Europe) plc, Downley Road, Havant, Hants, PO9 2JD.

The ultimate parent undertaking is Yantai Moon Group Co Limited, a company incorporated in The People's Republic of China.