



Accountants &
business advisers

DSF HOLDINGS LIMITED

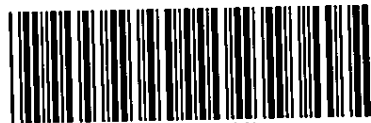
(Company Number: SC239681)

ANNUAL REPORT

YEAR ENDED 31 MAY 2011

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COMPANIES HOUSE

DSF HOLDINGS LIMITED

COMPANY INFORMATION

Directors G M Bell (Chairman)
P Beam
P M Hutchinson
N A Parkin
C Whelpton
R Whitehurst

Company secretary Burness LLP

Company number SC239681

Registered office 50 Lothian Road
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EH3 9WJ

Auditor PKF (UK) LLP
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DSF HOLDINGS LIMITED

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DSF HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2011

The directors present their report and the financial statements for the year ended 31 May 2011.

Principal activities

The principal activity of the company is to act as a holding company. The principal activities of the group are mineral processing and the manufacture of refractory products for use in the steel, glass, cement and other industries.

Business review

The 12 months to 31 May 2011 have shown a significant 23% growth in turnover over the 12 months to 31 May 2010 as the group has emerged strongly from the recession. Costs have been tightly controlled leading to a 52% increase in operating profit. The group's growth has been achieved as a result of its continuing high quality and technically strong products enabling the company to make further in-roads into new market sectors and new geographical areas.

Significant expenditure has been incurred in the year to increase high temperature firing capacity and improve energy efficiency such that further major capital expenditure in the coming years is likely to be kept to a minimum.

The external commercial environment in which the group operates is expected to remain very competitive for Refractory products over the coming 12 months. Due to the diversity and size of its world-wide exports the group will be less affected by any potential local downturn in the UK or EU economy than most other companies. Accordingly the Directors are confident that the group will continue to perform strongly over the coming 12 months benefiting from its technical expertise and recent investment in new machinery.

Results

The profit for the year, after taxation, amounted to £406,401 (2010 - £69,303).

Directors

The directors who served during the year were:

G M Bell (Chairman)
P Bearn
P M Hutchinson
N A Parkin
C Whelpton
R Whitehurst

Land and buildings

The directors consider the market value of the freehold land and buildings to be significantly in excess of their carrying amount. A professional market valuation carried out in July 2011 valued the land and buildings at £1,150,000 compared with its carrying value of £922,374.

Key performance indicators ('KPI's')

The directors consider that the group's key performance indicators are those that communicate the financial performance and strength of the group as a whole, being turnover, gross margin, EBITDA, weekly sales orders by value, weekly tonnes produced by route, on time delivery performance as a percentage of all deliveries, absolute scrap value and cash headroom.

DSF HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2011

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of currency risk, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group.

(i) Currency risk

The group is exposed to currency risk as a result of its operations.

(ii) Credit risk

The group has implemented policies that require appropriate credit checks to be made on all potential and existing customers before sales are made.

(iii) Liquidity risk

The group maintains finance that is designed to ensure that group has sufficient available funds for operations and planned expansions.

(iv) Interest rate cash flow risk

The group has interest bearing liabilities presently operated on a variable rate. In order to mitigate this risk it has an interest rate hedge over its loan book.

Research and development activities

The group carries out its own research and development projects so as to improve and extend its product range.

Provision of information to auditor


Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

This report was approved by the board on

13/12/11

and signed on its behalf.

 13/12/11.

P Beam
Director

DSF HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MAY 2011

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DSF HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DSF HOLDINGS LIMITED

We have audited the financial statements of DSF Holdings Limited for the year ended 31 May 2011 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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 annual 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 group's and the parent company's affairs as at 31 May 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DSF HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DSF HOLDINGS LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

PKF(UK) LLP

Roderick Plews (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor
Sheffield, UK
16 December 2011

DSF HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2011**

	Note	2011 £	2010 £
TURNOVER	1	20,434,523	16,607,612
Cost of sales		<u>(16,511,913)</u>	<u>(13,238,992)</u>
GROSS PROFIT		3,922,610	3,368,620
Distribution costs		<u>(1,721,930)</u>	<u>(1,415,848)</u>
Administrative expenses		<u>(1,343,174)</u>	<u>(1,388,942)</u>
OPERATING PROFIT	3	857,506	563,830
Interest receivable and similar income		1,029	371
Interest payable and similar charges	6	<u>(274,493)</u>	<u>(260,048)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		584,042	304,153
Tax on profit on ordinary activities	7	<u>(177,641)</u>	<u>(234,850)</u>
PROFIT FOR THE FINANCIAL YEAR	17	<u>406,401</u>	<u>69,303</u>

All amounts relate to continuing operations.

The notes on pages 11 to 29 form part of these financial statements.

DSF HOLDINGS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2011**

	Note	2011 £	2010 £
PROFIT FOR THE FINANCIAL YEAR		406,401	69,303
Actuarial (loss)/gain related to pension scheme	24	(14,000)	(72,000)
Pension (deficit)/surplus not recognised	24	14,000	72,000
Foreign exchange movement		5,794	123,308
		<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		412,195	192,611
		<hr/>	<hr/>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2011**

	2011 £	2010 £
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	584,042	304,153
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	17,555	17,555
	<hr/>	<hr/>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	601,597	321,708
	<hr/>	<hr/>
HISTORICAL PROFIT FOR THE YEAR AFTER TAXATION	423,956	86,858
	<hr/>	<hr/>

The notes on pages 11 to 29 form part of these financial statements.

DSF HOLDINGS LIMITED
REGISTERED NUMBER: SC239681

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Intangible assets	8		-		-
Tangible assets	9		4,204,114		3,873,964
			4,204,114		3,873,964
CURRENT ASSETS					
Stocks	11	4,707,988		4,899,232	
Debtors	12	5,162,730		3,264,883	
Cash at bank and in hand		225,734		25,283	
		10,096,452		8,189,398	
CREDITORS: amounts falling due within one year	13	(9,072,056)		(5,468,562)	
NET CURRENT ASSETS			1,024,396		2,720,836
TOTAL ASSETS LESS CURRENT LIABILITIES			5,228,510		6,594,800
CREDITORS: amounts falling due after more than one year	14		(596,689)		(2,286,537)
PROVISIONS FOR LIABILITIES					
Deferred tax	15		(279,521)		(209,725)
NET ASSETS			4,352,300		4,098,538
CAPITAL AND RESERVES					
Called up share capital	16		175,000		175,000
Revaluation reserve	17		162,116		162,116
Foreign exchange reserve	17		245,148		239,354
Other reserves	17		37,275		20,708
Profit and loss account	17		3,732,761		3,501,360
SHAREHOLDERS' FUNDS	18		4,352,300		4,098,538

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13/12/11


P Beam
Director


The notes on pages 11 to 29 form part of these financial statements.

DSF HOLDINGS LIMITED
REGISTERED NUMBER: SC239681

COMPANY BALANCE SHEET
AS AT 31 MAY 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Investments	10		3,585,131		3,585,131
CURRENT ASSETS					
Debtors	12	8,292		8,292	
CREDITORS: amounts falling due within one year	13	<u>(2,883,944)</u>		<u>(839,499)</u>	
NET CURRENT LIABILITIES			<u>(2,875,652)</u>		<u>(831,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>709,479</u>		<u>2,753,924</u>
CREDITORS: amounts falling due after more than one year	14		<u>-</u>		<u>(1,869,445)</u>
NET ASSETS			<u><u>709,479</u></u>		<u><u>884,479</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		175,000		175,000
Revaluation reserve	17		162,116		162,116
Other reserves	17		37,275		20,708
Profit and loss account	17		<u>335,088</u>		<u>526,655</u>
SHAREHOLDERS' FUNDS	18		<u><u>709,479</u></u>		<u><u>884,479</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

 13/12/11

P Bearn
Director

The notes on pages 11 to 29 form part of these financial statements.

DSF HOLDINGS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	20	1,305,048	752,955
Returns on investments and servicing of finance	21	(273,464)	(259,677)
Taxation		(363,465)	(305,910)
Capital expenditure and financial investment	21	(842,664)	(156,484)
Equity dividends paid		(175,000)	-
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(349,545)	30,884
Financing	21	266,774	(514,129)
DECREASE IN CASH IN THE YEAR		(82,771)	(483,245)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MAY 2011**

	2011 £	2010 £
Decrease in cash in the year	(82,771)	(483,245)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(266,774)	514,129
MOVEMENT IN NET DEBT IN THE YEAR	(349,545)	30,884
Net debt at 1 June 2010	(4,269,334)	(4,300,218)
NET DEBT AT 31 MAY 2011	(4,618,879)	(4,269,334)

The notes on pages 11 to 29 form part of these financial statements.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible assets and in accordance with applicable accounting standards.

Basis of preparation - Going concern

At 31 May 2011, the parent company had net current liabilities of £2,875,652. The company will continue to be supported by way of dividends from its UK trading subsidiary undertaking and for this reason the directors consider that the going concern basis of preparation is appropriate.

1.2 Basis of consolidation

The financial statements consolidate the accounts of DSF Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

1.3 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Plant & machinery	-	10 - 25% straight line
Motor vehicles	-	25% straight line

1.6 Revaluation of tangible fixed assets

As permitted by the transitional provisions of FRS 15 Tangible Fixed Assets the group has elected not to adopt a policy of revaluation of tangible fixed assets. The group will retain the book value of land and buildings, previously revalued at 1 January 1994 and will not update that valuation.

1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES (continued)

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

In general, costs are determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES (continued)

1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.13 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.14 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 1 April 2008.

2. TURNOVER

The whole of the turnover is attributable to the principal activities of the group.

A geographical analysis of turnover is as follows:

	2011 £	2010 £
United Kingdom	6,793,973	6,030,495
Rest of European Union	6,267,986	4,526,567
Rest of world	7,372,564	6,050,550
	<u>20,434,523</u>	<u>16,607,612</u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2011 £	2010 £
Depreciation of tangible fixed assets:		
- owned by the group	281,861	227,412
- held under finance leases	188,982	224,375
Auditors' remuneration	26,750	24,500
Auditors' remuneration - non-audit	3,561	4,250
Operating lease rentals:		
- plant and machinery	191,799	188,100
Difference on foreign exchange	(122,059)	(7,722)
Grant release	(7,500)	(7,500)
	<u></u>	<u></u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2011 £	2010 £
Wages and salaries	3,256,822	3,251,712
Social security costs	322,169	335,287
Other pension costs (Note 24)	192,600	161,235
	<u>3,771,591</u>	<u>3,748,234</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2011 No.	2010 No.
Production	117	107
Selling and distribution	9	12
Administration	17	15
	<u>143</u>	<u>134</u>

5. DIRECTORS' REMUNERATION

	2011 £	2010 £
Emoluments	<u>583,123</u>	<u>568,409</u>
Company pension contributions to defined contribution pension schemes	<u>62,400</u>	<u>61,600</u>

During the year retirement benefits were accruing to 5 directors (2010 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £117,969 (2010 - £116,741).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,600 (2010 - £15,400).

6. INTEREST PAYABLE

	2011 £	2010 £
On bank loans and overdrafts	229,860	217,028
On finance leases and hire purchase contracts	44,633	43,020
	<u>274,493</u>	<u>260,048</u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

7. TAXATION

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	107,845	227,454
Adjustments in respect of prior periods	-	(21,215)
Total current tax	<u>107,845</u>	<u>206,239</u>
Deferred tax (see note 15)		
Origination and reversal of timing differences	69,796	28,611
Tax on profit on ordinary activities	<u>177,641</u>	<u>234,850</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 28% (2010 - 28%). The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before tax	<u>584,042</u>	<u>304,153</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	163,532	85,163
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,958	1,100
Capital allowances for year in excess of depreciation	(32,600)	1,076
Pension cost relief in excess of net pension costs charge	-	(26,687)
Movement in respect of assets becoming non-qualifying	-	7,173
Overseas losses not utilised in period	38,575	154,990
Adjustments to tax charge in respect of prior periods	-	(21,215)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(66,626)	-
Other timing differences	3,006	4,639
Current tax charge for the year (see note above)	<u>107,845</u>	<u>206,239</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

8. INTANGIBLE FIXED ASSETS

	Negative goodwill £
Group	
Cost	
At 1 June 2010 and 31 May 2011	<u>(1,004,831)</u>
Amortisation	
At 1 June 2010 and 31 May 2011	<u>1,004,831</u>
Net book value	
At 31 May 2011	<u><u>-</u></u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

9. TANGIBLE FIXED ASSETS

Group	Freehold property £	Plant & machinery £	Motor vehicles £	Other fixed assets £	Total £
Cost or valuation					
At 1 June 2010	1,273,511	6,048,524	195,274	2,000	7,519,309
Additions	18,991	779,872	43,801	-	842,664
Foreign exchange movement	-	(45,476)	(4,088)	-	(49,564)
At 31 May 2011	<u>1,292,502</u>	<u>6,782,920</u>	<u>234,987</u>	<u>2,000</u>	<u>8,312,409</u>
Depreciation					
At 1 June 2010	348,386	3,203,290	93,669	-	3,645,345
Charge for the year	21,742	408,416	40,685	-	470,843
Foreign exchange movement	-	(6,567)	(1,326)	-	(7,893)
At 31 May 2011	<u>370,128</u>	<u>3,605,139</u>	<u>133,028</u>	<u>-</u>	<u>4,108,295</u>
Net book value					
At 31 May 2011	<u>922,374</u>	<u>3,177,781</u>	<u>101,959</u>	<u>2,000</u>	<u>4,204,114</u>
At 31 May 2010	<u>925,125</u>	<u>2,845,234</u>	<u>101,605</u>	<u>2,000</u>	<u>3,873,964</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

Group	2011 £	2010 £
Plant and machinery	1,218,903	1,627,885
Motor vehicles	60,677	56,904
	<u>1,279,580</u>	<u>1,684,789</u>

Included in land and buildings is freehold land at cost of £200,000 (2010: £200,000) which is not depreciated.

On 1 January 1994, land and buildings, plant and machinery and motor vehicles were valued at depreciated replacement cost. No further revaluations will be undertaken.

The directors consider the market value of the freehold land and buildings to be significantly in excess of their carrying amount. A professional market valuation carried out in July 2011 valued the land and buildings at £1,150,000 compared with its carrying value of £922,374.

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

9. TANGIBLE FIXED ASSETS (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

Group	2011 £	2010 £
Cost	212,752	193,761
Accumulated depreciation	(65,668)	(61,532)
Net book value	<u>147,084</u>	<u>132,229</u>

If the plant and machinery had not been included at valuation they would have been included under the historical cost convention as follows:

Group	2011 £	2010 £
Cost	5,993,234	5,845,634
Accumulated depreciation	(3,245,663)	(2,938,484)
Net book value	<u>2,747,571</u>	<u>2,907,150</u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

10. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2010 and 31 May 2011	3,585,131

Details of the principal subsidiaries can be found under note number 26.

11. STOCKS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Raw materials	2,458,865	2,185,646	-	-
Work in progress	729,819	328,489	-	-
Finished goods and goods for resale	1,519,304	2,385,097	-	-
	4,707,988	4,899,232	-	-

12. DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	4,477,524	2,886,945	-	-
Amounts owed by group undertakings	-	-	8,292	8,292
Other debtors	203,233	-	-	-
Prepayments and accrued income	481,973	377,938	-	-
	5,162,730	3,264,883	8,292	8,292

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

13. CREDITORS:
Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	3,958,060	1,848,449	1,869,445	559,722
Other loans	124,992	-	-	-
Net obligations under finance leases and hire purchase contracts	200,871	200,131	-	-
Trade creditors	3,945,471	2,170,754	-	-
Amounts owed to group undertakings	-	-	997,356	262,482
Corporation tax	120,728	376,349	-	-
Social security and other taxes	87,130	274,816	-	-
Other creditors	203,100	129,375	-	-
Accruals and deferred income	431,704	468,688	17,143	17,295
	9,072,056	5,468,562	2,883,944	839,499

At the year end date, the bank overdraft was secured by a legal charge over the group's premises at Friden and a fixed and floating charge over all the assets of the UK group companies. Interest was charged at 2.75% over Bank of Scotland base rate. Bank borrowings were repayable in instalments and, together with the bank overdraft, were secured by a floating charge over the assets of the UK group companies. Interest on the term loan was charged at 2.75% over Bank of Scotland base rate.

All facilities held with Lloyds TSB, our provider at 31 May 2011, have been replaced by loans with the Yorkshire Bank in November 2011. All bank loans are now repayable between 3 to 5 years.

Assets held under hire purchase arrangements are secured against the assets concerned.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

14. CREDITORS:

Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£	£	£	£
Bank loans	-	1,869,445	-	1,869,445
Other loans	364,560	-	-	-
Net obligations under finance leases and hire purchase contracts	196,129	376,592	-	-
Government grants received	36,000	40,500	-	-
	<u>596,689</u>	<u>2,286,537</u>	<u>-</u>	<u>1,869,445</u>

Included within the above are amounts falling due as follows:

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£	£	£	£
Between one and two years				
Bank loans	-	602,777	-	602,777
Between two and five years				
Bank loans	-	1,266,668	-	1,266,668
Other loans	364,560	-	-	-

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£	£	£	£
Between one and five years	196,129	376,592	-	-

Assets held under hire purchase arrangements are secured against the assets concerned.

15. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	£	£	£	£
At beginning of year	209,725	181,114	-	-
Charge for the year	69,796	28,611	-	-
At end of year	<u>279,521</u>	<u>209,725</u>	<u>-</u>	<u>-</u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

15. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Accelerated capital allowances	279,521	209,725	-	-

No provision has been made for deferred taxation under FRS 19 in respect of gains arising on the revaluation of fixed assets to market value because there is no binding agreement as at 31 May 2011 to dispose of them. The total amount not provided for at the balance sheet date is £201,549 (2010: £223,722).

16. SHARE CAPITAL

	2011	2010
	£	£
Allotted, called up and fully paid		
175,000 Ordinary shares of £1 each	175,000	175,000

17. RESERVES

	Revaluation reserve	Foreign exchange reserve	Share based payment reserve	Profit and loss account
Group	£	£	£	£
At 1 June 2010	162,116	239,354	20,708	3,501,360
Profit for the year	-	-	-	406,401
Dividends: Equity capital	-	-	-	(175,000)
Movement on foreign exchange	-	5,794	-	-
Movement on other reserves	-	-	16,567	-
At 31 May 2011	162,116	245,148	37,275	3,732,761

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

17. RESERVES (continued)

On 18 March 2009 the company entered into a share based compensation plan for an employee of the group. The plan offers the eligible employee options over the shares of DSF Holdings Limited at a price not less than the fair market value of the shares at the date on which the options were granted. The options are exercisable 3 years from the grant date subject to certain conditions regarding the sale of the group. The options lapse after ten years or on resignation, whichever is earlier.

On 18 March 2009 8,750 options for £1 ordinary shares were granted. There have been no share option transactions since that date.

In 2009 the fair value of the share options was estimated using a bargain price struck at the time of the last transaction in group shares. The charge to the profit and loss account for share based payments was £16,567 (2010: £16,567).

	Revaluation reserve £	Share based payment reserve £	Profit and loss account £
Company			
At 1 June 2010	162,116	20,708	526,655
Loss for the year	-	-	(16,567)
Dividends: Equity capital	-	-	(175,000)
Movement on other reserves	-	16,567	-
	<u>162,116</u>	<u>37,275</u>	<u>335,088</u>
At 31 May 2011			

The closing balance on the profit and loss account includes a £NIL (2010 - £NIL) credit, stated after deferred taxation of £NIL (2010 - £NIL), in respect of pension scheme liabilities of the Group and Company pension scheme.

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2011 £	2010 £
Opening shareholders' funds	4,098,538	3,889,360
Profit for the year	406,401	69,303
Dividends (Note 19)	(175,000)	-
Other recognised gains and losses during the year	5,794	123,308
Credit to share based payment reserve	16,567	16,567
	<u>4,352,300</u>	<u>4,098,538</u>
Closing shareholders' funds	<u>4,352,300</u>	<u>4,098,538</u>

Company	2011 £	2010 £
Opening shareholders' funds	884,479	884,479
Loss for the year	(16,567)	(16,567)
Dividends (Note 19)	(175,000)	-
Credit to share based payment reserve	16,567	16,567
	<u>709,479</u>	<u>884,479</u>
Closing shareholders' funds	<u>709,479</u>	<u>884,479</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £16,567 (2010 - £16,567).

19. DIVIDENDS

	2011 £	2010 £
Dividends paid on equity capital	<u>175,000</u>	<u>-</u>

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating profit	857,506	563,830
Depreciation of tangible fixed assets	470,843	452,637
Loss on disposal of tangible fixed assets	-	(200)
Decrease in stocks	191,244	1,196,326
(Increase)/decrease in debtors	(1,897,847)	179,353
Increase/(decrease) in creditors	1,619,270	(1,718,609)
Foreign exchange translation differences	47,465	63,051
Share based payment	16,567	16,567
	<u>1,305,048</u>	<u>752,955</u>
Net cash inflow from operating activities	<u>1,305,048</u>	<u>752,955</u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	1,029	371
Interest paid	(229,860)	(217,028)
Hire purchase interest	(44,633)	(43,020)
Net cash outflow from returns on investments and servicing of finance	<u>(273,464)</u>	<u>(259,677)</u>
	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(842,664)	(156,684)
Sale of tangible fixed assets	-	200
Net cash outflow from capital expenditure	<u>(842,664)</u>	<u>(156,484)</u>
	2011 £	2010 £
Financing		
Increase in/(repayment of) loans	446,497	(362,500)
Repayment of finance leases	(179,723)	(151,629)
Net cash inflow/(outflow) from financing	<u>266,774</u>	<u>(514,129)</u>

22. ANALYSIS OF CHANGES IN NET DEBT

	1 June 2010 £	Cash flow £	Other non-cash changes £	31 May 2011 £
Cash at bank and in hand	25,283	200,451	-	225,734
Bank overdraft	(1,288,727)	(283,222)	-	(1,571,949)
	(1,263,444)	(82,771)	-	(1,346,215)
Finance leases	(576,723)	179,723	-	(397,000)
Debts due within one year	(559,722)	(446,497)	(1,504,885)	(2,511,104)
Debts falling due after more than one year	(1,869,445)	-	1,504,885	(364,560)
Net debt	<u>(4,269,334)</u>	<u>(349,545)</u>	<u>-</u>	<u>(4,618,879)</u>

23. GUARANTEES

DSF Holdings Limited is a participant in a group banking arrangement with DSF Refractories & Minerals Limited and DSF (2003) Limited. Group borrowings are secured by a legal charge over the freehold premises at Friden, and by a fixed and floating charge over the assets of all group companies.

DSF HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2011

24. PENSION COMMITMENTS

The group operates a defined contribution pension scheme for directors and staff employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £130,186 (2010: £120,982). Contributions totalling £31,872 (2010: £14,002) were payable to the fund at the balance sheet date and are included in creditors.

In addition, contributions and insurance premiums of £19,290 (2010: £22,053) were paid to personal pension plans on behalf of directors and staff. Death in Service insurance contributions of £14,482 (2010: £14,162) were also paid on behalf of directors and staff.

The group operates a defined benefit pension scheme.

The scheme is closed to new entrants and future accrual. A full actuarial valuation of this scheme was carried out at 1 April 2008 and updated to 31 May 2011 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The amounts recognised in the balance sheet are as follows:

	2011 £	2010 £
Present value of scheme liabilities	(649,000)	(628,000)
Fair value of scheme assets	758,000	735,000
	<hr/>	<hr/>
Surplus in scheme	109,000	107,000
Surplus not recognised	(109,000)	(107,000)
	<hr/>	<hr/>
Net asset	-	-
	<hr/>	<hr/>

None of the fair values of the assets shown above include any of the group's own financial instruments or any property occupied by, or other assets used by, the group.

The amounts recognised in profit or loss are as follows:

	2011 £	2010 £
Interest cost	(33,000)	(38,000)
Expected return on scheme assets (after restriction due to some of the surplus not being recoverable)	33,000	38,000
	<hr/>	<hr/>
Total	-	-
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation are as follows:

	2011 £	2010 £
Opening scheme liabilities	628,000	593,000
Interest cost	33,000	38,000
Actuarial Losses	32,000	52,000
Benefits paid and death in service insurance premiums	(44,000)	(55,000)
	<hr/>	<hr/>
Closing scheme liabilities	649,000	628,000
	<hr/>	<hr/>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

24. PENSION COMMITMENTS (continued)

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

	2011	2010
	£	£
Opening fair value of scheme assets	735,000	772,000
Expected return	33,000	38,000
Actuarial gains and (losses)	18,000	(20,000)
Contributions by employer	16,000	-
Benefits paid and death in service insurance premiums	(44,000)	(55,000)
	<u>758,000</u>	<u>735,000</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £67,000 (2010 - £53,000).

The group expects to contribute £4,660 to its defined benefit pension scheme in 2012.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2011	2010
	100.00 %	100.00 %
With profit		

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2011	2010
Discount rate at 31 May	5.30 %	5.50 %
Expected return on scheme assets at 31 May	5.40 %	6.48 %
Inflation	3.40 %	3.30 %
Allowance for pension in payments increases of RPI or 5% p.a if less	3.40 %	3.30 %
Allowance for revaluation of deferred pensions of RPI or 5% p.a if less	3.40 %	3.30 %

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

24. PENSION COMMITMENTS (continued)

The mortality assumptions adopted at 31 May 2011 imply the following life expectancies:

Male retiring at age 65 in 2011 - 24.1
 Female retiring at age 65 in 2011 - 26.5
 Male retiring at age 65 in 2031 - 26.1
 Female retiring at age 65 in 2031 - 28.4

The long-term expected return on bonds and cash is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance. The expected long term return on the with-profits contract is determined by reference to the target allocation of the with-profits fund.

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

Defined benefit pension schemes

	2011 £	2010 £	2009 £	2008 £	2007 £
Defined benefit obligation	(649,000)	(628,000)	(593,000)	(566,000)	(959,000)
Scheme assets	758,000	735,000	772,000	727,000	948,000
Surplus/(deficit)	<u>109,000</u>	<u>107,000</u>	<u>179,000</u>	<u>161,000</u>	<u>(11,000)</u>
Experience adjustments on scheme liabilities	(9,000)	30,000	10,000	25,000	56,000
Experience adjustments on scheme assets	<u>18,000</u>	<u>(20,000)</u>	<u>(6,000)</u>	<u>53,000</u>	<u>11,000</u>

25. OPERATING LEASE COMMITMENTS

At 31 May 2011 the group had annual commitments under non-cancellable operating leases as follows:

Group	2011 £	2010 £
Expiry date:		
Within 1 year	66,869	24,605
Between 2 and 5 years	<u>134,347</u>	<u>186,581</u>

DSF HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011**

26. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
DSF Refractories & Minerals Limited	Scotland	100	Mineral processing and manufacture of refractory products
DSF 2003 Limited	Scotland	100	Intermediate holding company
DSF Refractory Materials (Tianjin) Co. Limited	China	100	Manufacture of refractory products
DSF Trustees Limited	Scotland	100	Employee Share Ownership Trust
DSF Heat Containment Industries Limited	Scotland	100	Dormant

All subsidiary companies have the same year end as DSF Holdings Limited except DSF Refractory Materials (Tianjin) Co. Limited which has a year end of 31 December as required by Chinese law.