

BBM Machinery Limited

Report and Financial Statements

Year Ended

31 December 2011



BBM Machinery Limited

Report and financial statements for the year ended 31 December 2011

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Directors

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Directors

A Arda
R Akbulak
L Maro
M Erda

Secretary

Grays Inn Secretaries Ltd

Registered office

Alliance House, 12 Caxton Street, London, SW1H 0QS

Company number

05466613

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

BBM Machinery Limited

Report of the directors for the year ended 31 December 2011

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Results

The profit and loss account is set out on page 6 and shows the loss for the year

Since the majority of the company's trading transactions are denominated in US dollars, the directors believe that it is more meaningful to reflect the company's results in that currency rather than sterling

Principal activity

The principal activity of the company is to promote, expand and manage the sale of Caterpillar products and services in the Middle East region

Trading review

The company's key performance indicators are turnover, profit before tax and cash flow from operations

In the year the company achieved turnover of \$0.7 million (2010 - \$21.4 million) with loss before tax of \$2.3 million (2010 - \$0.1 million profit). Cash outflow from operations was \$9.7 million (2010 - \$7.4m outflow). Net Current liabilities increased to \$0.9 million (2010 - net assets \$1.4 million), shareholders' funds decreased to \$0.9 million deficit (2010 \$1.4 million surplus).

Future developments

As of April 2011, Caterpillar terminated their contract with the Company and BBM Machinery Limited will no longer be the exclusive dealer of Caterpillar products in the Middle East. The directors intend to continue to sell stock ordered prior to the termination of the contract and will not be placing any further orders. The Company will then become dormant.

The Company's immediate parent Borusan Makina Servis ve Ticaret A.Ş. has confirmed that it will continue to provide support to the company in order to enable it to meet its commitments as they fall due, for at least twelve months from the date of these financial statements.

Risk management

Risk is an inherent part of our business activity and its management is fundamental to our success. Therefore, the company pursues a strict and conservative risk management policy.

The main market risks faced by the company are the political and economic situation of its main markets. The company responds to these risks through constant communication with its trading partners.

There are a number of operational risks involved in the sale and procurement of Caterpillar products and services. The company seeks to eliminate these risks through the implementation of tight internal controls on new transactions and the continuous monitoring of ongoing transactions, as follows:

- Commercial risk - is mitigated through contractual terms, which are applied globally,
- Logistics risk - is covered through a comprehensive marine insurance policy provided by Marsh AIG,

BBM Machinery Limited

Report of the directors for the year ended 31 December 2011 (*Continued*)

Risk management (*continued*)

- Financial risk - The company's treasury is managed by its parent company's finance department who are responsible for determining and assessing the financial risks that the company is exposed to
- Credit risk – The company's credit risk primarily arises from its trade receivables. The company monitors its customer risks on a consistent basis and the assessment of the creditworthiness of customers is based on their financial position, past experience and other factors. Trade receivables are monitored in accordance with group policies and procedures
- Foreign exchange risk – the profitability and cash flow of transactions, whether either the sale or purchase is denominated in a currency other than US dollars, this exposes the company to a significant currency exposure on new transactions and existing balances. Management recognise this risk and are currently considering a number of solutions to reduce and manage the foreign exchange risk
- Liquidity risk – The company manages its liquidity risk by monitoring its expected and actual cash flows on a consistent basis considering its short, medium and long-time funding and liquidity requirements

Dividends

There is no payment of dividend in the year

Creditor payment policy and practice

The company's policy for the year to 31 December 2011 for all suppliers is to fix the terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. Trade creditors at 31 December 2011 represent 414 days of supplies (2010 – 228 days)

Directors

The directors of the company during the year, none of whom had an interest in the ordinary share capital of the company, were

A Arda
R Akbulak
L Maro
M Erda

BBM Machinery Limited

Report of the directors for the year ended 31 December 2011 (*Continued*)

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 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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

A Arda

Director



BBM Machinery Limited

Independent auditor's Report to the members of BBM Machinery Limited

We have audited the financial statements of BBM Machinery Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement 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 auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss 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 matters 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.

BBM Machinery Limited

Independent auditor's Report to the shareholders of BBM Machinery Limited (Continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

Douglas Lowson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date **28 September 2012**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

BBM Machinery Limited**Profit and loss account for the year ended 31 December 2011**

	Note	2011 \$	2010 \$
Turnover		669,915	21,428,895
Cost of sales		<u>640,563</u>	<u>18,950,162</u>
Gross Profit		29,352	2,478,733
Administrative Expenses		(1,365,832)	(1,936,538)
Other (Expenses)/Income		(63,101)	876,944
Operating (Loss) / Profit	4	<u>(1,399,581)</u>	<u>1,419,139</u>
Interest receivable	3	1,026	37,157
Interest payable	3	859,247	1,323,724
(Loss) /Profit on ordinary activities before taxation		<u>(2,257,800)</u>	<u>132,572</u>
Tax (credit)/charge on (loss)/profits from ordinary activities	6	-	(52,480)
(Loss)/ Profit for the financial year end retained		<u><u>(2,257,800)</u></u>	<u><u>185,052</u></u>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 9 to 14 form part of these financial statements

BBM Machinery Limited**Balance sheet at 31 December 2011**

	Note	2011 \$	2011 \$	2010 \$	2010 \$
Current assets					
Stock	7	1,868,905		2,088,263	
Debtors	8	16,929,668		19,772,855	
Cash at bank and in hand		347,667		2,011,326	
		<u>19,146,240</u>		<u>23,872,444</u>	
Creditors: amounts falling due within one year	9	<u>20,000,072</u>		<u>22,468,476</u>	
Net current (liabilities)/assets			(853,832)		1,403,968
Total assets less current liabilities			<u>(853,832)</u>		<u>1,403,968</u>
Capital and reserves					
Called up share capital	10		87,000		87,000
Profit and loss account	11		(940,832)		1,316,968
Shareholders' (deficit) /funds			<u>(853,832)</u>		<u>1,403,968</u>

All amounts within shareholders' funds are equity

The financial statements were approved by the Board of Directors and authorised for issue on



A Arda
Director

The notes on pages 9 to 14 form part of these financial statements

BBM Machinery Limited**Cash flow statement for the year ended 31 December 2011**

	Note	2011 \$	2011 \$	2010 \$	2010 \$
Net cash outflow from operating activities	14		1,279,046		(6,710,452)
Returns on investments and servicing of finance					
Interest received		1,026		37,157	
Interest paid		(243,731)		(812,724)	
Net cash outflow from returns on investments and servicing of finance			(242,705)		(775,567)
Taxation			-		(677,048)
Cash inflow before use of liquid resources and financing			1,036,341		(8,163,067)
Financing					
Proceeds from borrowing			10,000,000		9,500,000
Loan repaid in year			(12,700,000)		(3,000,000)
(Decrease) in cash	15		(1,663,659)		(1,663,067)

The notes on pages 9 to 14 form part of these financial statements

BBM Machinery Limited

Notes forming part of the financial statements for the year ended 31 December 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Revenue from the sale of goods is recognised when the risks and rewards of ownership of the goods have been transferred to the buyer. Sales are recognised net of sales taxes and discounts.

Stock

Finished goods for resale are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to disposal as at the balance sheet date.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Foreign currencies

Foreign currency transactions of individual transactions are translated at the rates ruling when they occur. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Any differences are taken to the profit and loss account.

Going Concern

The financial statements have been prepared on a going concern basis. The directors consider this to be appropriate on the grounds that the company's intermediate parent, Borusan Makina Servis ve Ticaret A.Ş. has confirmed that it will continue to provide support to the company in order to enable it to meet its commitments as they fall due, for at least twelve months from the date of these financial statements.

Borusan Makina ve Güç Sistemleri Servis ve Ticaret A.Ş. has indemnified BBM Machinery Limited for any losses incurred should the amount of \$16,868,682 due from debtors including a fellow group company and stock with the value of \$1,868,905 be recovered for less than their net book amount.

2 Turnover and profit before tax

Turnover and profits are principally attributable to the sale of Caterpillar products.

Analysis of turnover and profit before tax by geographical area has not been disclosed as the directors consider that this would be seriously prejudicial to the Company's interest.

BBM Machinery Limited**Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****3 Interest receivable and payable**

	2011 \$	2010 \$
Bank interest receivable	1,026	37,157
Bank interest payable	859,247	1,323,724

4 Operating profit

	2011 \$	2010 \$
Operating profit is stated after charging		
Auditors' remuneration audit	33,975	39,951
Taxation Services	7,721	6,400

Other Income represents commissions received and receivable

5 Directors

None of the directors received any emoluments from the company during the year

6 Taxation on profits from ordinary activities

	2011 \$	2010 \$
UK corporation tax charge 26.5% (2010 28%)	-	(52,580)
Tax (credit)	-	(52,480)
<i>Tax reconciliation</i>		
Profit/(Loss) on ordinary activities before tax	(2,257,800)	132,572
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% (2010 28%)	(598,317)	37,120
Effects of		
Unutilised losses carried forward	598,317	37,120
Current tax (credit)/ charge for year	-	-

BBM Machinery Limited**Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****7 Stock**

	2011 \$	2010 \$
Goods held for resale	1,868,905	2,088,263

8 Debtors

	2011 \$	2010 \$
Trade debtors	-	2,408,250
Due from fellow group undertaking	16,868,682	7,267,573
Other Debtors and accrued income	8,506	44,552
Corporation tax	52,480	52,480
	16,929,668	19,772,855

9 Creditors: amounts falling due within one year

	2011 \$	2010 \$
Bank loans and overdrafts	10,000,000	9,500,000
Trade creditors	727,057	2,216
Amounts due to fellow group undertaking	8,408,082	12,248,909
Other Creditors and accruals	864,933	717,351
	20,000,072	22,468,476

BBM Machinery Limited**Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)****10 Share capital**

	2011 \$	2010 \$
<i>Authorised</i>		
50,000 ordinary shares of £1 each	87,000	87,000
	<u>87,000</u>	<u>87,000</u>
50,000 ordinary shares of £1 each	87,000	87,000
	<u>87,000</u>	<u>87,000</u>

11 Profit and loss account

	2011 \$	2010 \$
At 1 January	1,316,968	1,131,916
(Loss)/Profit for the year	(2,257,800)	185,052
	<u>(940,832)</u>	<u>1,316,968</u>

BBM Machinery Limited

Notes forming part of the financial statements for the year ended 31 December 2011 (Continued)

12 Related party transactions

During the year the company has entered into the following transactions traded with subsidiaries of Borusan Makina AS, a Turkish company

During the year sales to Borusan Makinas' subsidiaries amounted to \$614,296 (2010 - \$18,723,796) and purchases amounted to \$305,272 (2010 - \$17,291,788)

In addition, Borusan Makina is entitled to recharge some administration costs and Borusan Makinas' subsidiaries have charged \$715,841 (2010 - \$1,157,858)

At 31 December 2011, the company owed Borusan Makina AS and its subsidiaries \$8,408,082 (2010 - \$12,248,910) and the maximum amount owed during the year was \$11,369,358 (2010 - \$12,866,893)

At 31 December 2011, the company was owed \$16,868,682 (2010- \$17,267,573) by Borusan Makina AS and its subsidiaries and the maximum amount receivable during the year was \$19,878,268 (2010 - \$21,820,771)

13 Controlling parties

The company is owned and controlled 100% by Borusan Makina ve Güç Sistemleri Servis ve Ticaret A S incorporated in Turkey Borusan Makina Servis ve Ticaret A S , established 2 February 1994, is a subsidiary of Borusan Holdings A S which is also incorporated in Turkey

The ultimate controlling party is the Kocabıyık family

Copies of the Group financial statements for Borusan Makina Servis ve Ticaret A S can be obtained from

Borusan Makina AS
Meclisi Mebusan Caddesi 35-37
34427 Salıpazarı
Istanbul, Turkey

14 Reconciliation of operating profit to net cash inflow from operating activities

	2011 \$	2010 \$
Operating profit	(1,399,581)	1,419,139
Decrease in stocks	219,359	1,506,413
Decrease in debtors	2,843,186	(1,270,980)
Decrease in creditors	(383,918)	(8,365,024)
Net cash inflow from operating activities	<u>1,279,046</u>	<u>(6,710,452)</u>

BBM Machinery Limited

Notes forming part of the financial statements for the year ended 31 December 2011 *(Continued)*

15 Reconciliation of net cash inflow to movement in net debt

	2011 \$	2010 \$
Decrease in cash	(1,663,659)	(1,663,067)
Movement in net debt in the year	(500,000)	(6,500,000)
Opening net funds	(7,488,674)	674,393
	<u> </u>	<u> </u>
Closing net (debt)	<u>(9,652,333)</u>	<u>(7,488,674)</u>

16 Analysis of net debt

	At 1 January 2011 \$	Cash flow \$	At 31 December 2011 \$
Cash in hand and at bank	2,011,326	(1,663,659)	347,667
Debt due within one year	(9,500,000)	(500,000)	(10,000,000)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>(7,488,674)</u>	<u>(2,163,659)</u>	<u>(9,652,333)</u>

17 Post balance sheet events

As of April 2011, Caterpillar terminated their contract with the Company and BBM Machinery Limited will no longer be the exclusive dealer of Caterpillar products in to the Middle East

The Directors intend to continue to sell stock ordered prior to the termination of the contract and will not be placing any further orders. The Company will then become dormant