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Darwin Bond Limited

Report and Financial Statements

31 July 2012

Directors
R A George
I Jamieson

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
Fleming Way
Crawley
West Sussex RH10 9YX

Directors' report

The directors of Darwin Bond Limited ('the Company') present their report and financial statements for the year ended 31 July 2012

Results and dividends

The company generated a loss for the year of £327,000 (2011 – £504,000) The directors do not recommend a final dividend (2011 – nil)

Principal activity and review of the business

The Company is an intermediate parent undertaking providing funds to its subsidiary The Company also has indirectly owned subsidiaries that are engaged in

- the design, manufacture and distribution of unitary and systems ventilation products and equipment These include a number of respected brands in the ventilation industry, and
- the design, manufacture and distribution of a range of motors and components for use in air movement applications and gas boilers

The Company's key financial performance indicator during the year was as follows

	2012	*2011*	*Change*
	£	*£*	*%*
Profit on ordinary activities before taxation	1,310	2,450	(46 5%)

The pre-tax results of the Company have declined during the year due to interest receivable being lower than previous years This arose following a change in the interest rate charged from 14 24% to 7 3%

Future developments

The Company will continue with its principal activity and expects future income to continue to cover its interest exposure

Going concern

As illustrated in the business review, the Company has continued to generate a profit before tax despite having net liabilities The net liabilities mainly arise from the cost of servicing non-current interest bearing loans and borrowings, which are not repayable within 12 months of the date of approving these financial statements All interest due on these interest-bearing loans and borrowings is also not payable within 12 months of the date of approving these financial statements and therefore causes no constraint to cash resources

The directors also confirm that after making appropriate enquiries, they have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future

For the reasons explained above, the directors continue to adopt the going concern basis in preparing the financial statements The directors' responsibilities are set out on page 4 and should be read in conjunction with this statement

Directors' report (continued)

Principal risks and uncertainties

The directors consider the principal risk and uncertainty facing the Company to be liquidity risk (explained below) and potential impairment of the Company's assets

Liquidity risk is the risk the company will encounter difficulty in raising funds to meet commitments associated with financial liabilities To mitigate exposure to liquidity risk, cash flow is regularly monitored using weekly and monthly reporting To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations in the foreseeable future The Company also reviews its long-term funding requirements in parallel with its long-term strategy with an objective of aligning both in a timely manner

To mitigate against exposure to impairment of assets, the Company reviews the financial performance of its investments on a regular basis and only lends to intra-group companies To date, all investments have had a strong year and are not exhibiting indicators of impairment This is expected to continue for the foreseeable future

Directors

The directors who served the Company during the year and subsequent to the year end were as follows

R A George (appointed 3 February 2012)
I Jamieson (appointed 19 September 2012)
R R R Davis (appointed 3 February 2012 & resigned 13 September 2012)
S J Diamond (resigned 3 February 2012)
L F Rutter (resigned 3 February 2012)
K Sargeant (resigned 3 February 2012)

Directors' liabilities

The company has Directors and Officers insurance to cover its directors against liability or proceeding brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006 Such insurance was in place during the year and remains in place at the date of approving the director's report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the Board

I Jamieson	R George
Director	Director
Date 21 November 2012	Date 21 November 2012

Directors' responsibilities statement

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

Independent auditors' report

to the members of Darwin Bond Limited

We have audited the financial statements of Darwin Bond Limited for the year ended 31 July 2012 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes 1 to 15 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 set out on page 4, 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 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 directors' 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 the 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 July 2012 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 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

Independent auditors' report (continued)

to the members of Darwin Bond 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, 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

Ernst & Young LLP

Julian Gray (Senior statutory auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
Date 23 November 2012

Profit and loss account

for the year ended 31 July 2012

	Notes	*2012* *£000*	*2011* *£000*
Interest receivable	4	11,384	13,134
Interest payable	5	(10,074)	(10,684)
Profit on ordinary activities before taxation	2	1,310	2,450
Tax on profit on ordinary activities	6	(1,637)	(2,954)
Loss for the financial year	12	(327)	(504)

The results for the year arise solely from continuing operations

Statement of total recognised gains and losses

for the year ended 31 July 2012

There are no recognised gains or losses other than the loss for the year of £327,000 (2011 – £504,000)

Balance sheet

at 31 July 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	7	913	913
Current assets			
Debtors			
amounts falling due after one year	8	114,025	103,248
amounts falling due within one year	8	1,653	3,182
		115,678	106,430
Creditors amounts falling due within one year	9	(1,384)	(3,208)
Net current assets		114,294	103,222
Total assets less current liabilities		115,207	104,135
Creditors amounts falling due after one year	10	(116,071)	(104,672)
Net liabilities		(864)	(537)
Capital and reserves			
Called up share capital	11	913	913
Profit and loss account	12	(1,777)	(1,450)
Shareholders' funds	12	(864)	(537)

The financial statements were authorised for issue on 21 November 2012 and approved on behalf of the board of directors by

I Jamieson
Director
21 November 2012

R George
Director
21 November 2012

Notes to the financial statements

at 31 July 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Group financial statements

As set out in note 15, the results of the Company are consolidated into the results of a parent undertaking, which are publicly available The Company is therefore exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the companies Act 2006 These financial statements therefore present information about the Company as an individual undertaking

Going concern

As explained in the directors' report, the Company has continued to generate a profit before tax despite having net liabilities The net liabilities mainly arise from the cost of servicing non-current interest bearing loans and borrowings, which are not repayable within 12 months of the date of approving these financial statements All interest due on these interest-bearing loans and borrowings is also not payable within 12 months of the date of approving these financial statements and therefore causes no constraint to cash resources

The directors also confirm that after making appropriate enquiries, they have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future For the reasons explained above, the directors continue to adopt the going concern basis in preparing the financial statements

Cash flow statement

In accordance with FRS 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company is a wholly owned subsidiary and the results of the Company are consolidated into the results of its parent (as set out in note 15), which are publicly available

Investments

Investments are stated at cost less provision for any impairment in value The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Deferred taxation

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

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

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

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

Notes to the financial statements (continued)

at 31 July 2012

1. Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date Exchange differences arising in the ordinary course of business are included in the profit and loss account

Revenue recognition

Interest income

Revenue is recognised as interest accrues using the effective interest rate method

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount

Finance costs of debts are allocated over the term of the debt as a constant rate on the carrying amount

2. Profit for the year

Audit fees are borne by a fellow group undertaking

3. Directors' remuneration

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2011 – nil) The directors receive remuneration from a fellow intermediate parent undertaking, Volution Holdings Limited in respect of services to the group of which the Company is a member Total remuneration paid by the enlarged group to directors of the Company (including pension scheme contributions) was £773,000 (2011 – £1,052,000) It is not possible to identify the proportion of this remuneration that relates to services to this Company

4 Interest receivable

	2012	*2011*
	£000	*£000*
On amounts owed to group undertakings	11,384	13,134

Notes to the financial statements (continued)

at 31 July 2012

5. Interest payable

	2012	*2011*
	£000	*£000*
On PIK notes	5,420	9,498
On non QCB loan notes	501	880
On loans from group undertakings	4,153	306
	10,074	10,684

Interest payable on PIK notes has been reduced by £1,653,000 (2011 - £2,929,000) to reflect an agreement with a previous bondholder to compensate the Company for the non-deductibility, for tax purposes, of a portion of the interest cost The corresponding receivable for the above is included in note 8

6. Tax on profit on ordinary activities

(a) The tax charge is made up of the following

	2012	*2011*
	£000	*£000*
Current tax		
UK corporation tax on the profit for the year	1,161	2,954
Adjustment in respect of the prior year	223	253
Total current tax (note 6(b))	1,384	3,207
Deferred tax		
Origination and reversal of timing differences	253	(253)
Total deferred tax (note 6(c))	253	(253)
Tax on profit on ordinary activities	1,637	2,954

Notes to the financial statements (continued)

at 31 July 2012

6. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 25 33% (2011 – 27 33%) The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	1,310	2,450
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25 33% (2011 – 27 33%)	332	670
Tax effects of		
Interest not deductible for tax purposes	1,275	2,284
Adjustment in respect of prior year	(223)	253
Current tax for the year (note 6(a))	1,384	3,207

Interest not deductible for tax purposes relates to interest paid on PIK notes and unsecured non-QCB loan notes The underlying loans were repaid in the year

(c) Deferred tax asset

	2012 £000	2011 £000
At 1 August	253	–
Utilised / (arising) in the year (note 6(a))	(253)	253
At 31 July (note 8)	–	253
Consisting of		
Other timing differences	–	253

7. Investments

	2012 £000	2011 £000
Cost		
At 31 July	913	913

Notes to the financial statements (continued)

at 31 July 2012

7 Investments (continued)

The investment represents a 100% shareholding in Darwin Mezzanine Limited, which has interests in the following Companies

Company	*Country of incorporation*	*Proportion of shares held*	*Nature of business*
Volution Holdings Limited	England	100%	Parent undertaking
Manrose Manufacturing Limited	England	100%	Air movement products
Volution Limited	England	100%	Parent undertaking
Vent-Axia Group Limited	England	100%	Air movement products
Torin Sifan Limited	England	100%	Air movement products
Anda Products Limited	England	100%	Unremunerated agent
Axia Fans Limited	England	100%	Dormant
NCA Manufacturing Limited	England	100%	Dormant
Roof Units Limited	England	100%	Unremunerated agent
Sifan Systems Limited	England	100%	Unremunerated agent
Torin Limited	England	100%	Unremunerated agent
Torin Holdings Limited	England	100%	Non trading
Tradewinds Ventilation Limited	England	100%	Dormant
Vent-Axia Limited	England	100%	Unremunerated agent
Vent-Axia Air Conditioning Limited	England	100%	Dormant
Vent-Axia Clean Air Systems Limited	England	100%	Unremunerated agent
Vent-Axia Ventilation Limited	England	100%	Dormant
Willow Plastics Limited	England	100%	Dormant
Volution Finance (UK) Limited	England	100%	Non trading

8. Debtors

	2012	*2011*
	£000	*£000*
Amounts falling due within one year		
Other debtors	1,653	2,929
Deferred tax asset (note 6(c))	–	253
	1,653	3,182
Amounts falling due after one year		
Amounts due from group undertakings	110,991	103,248
Amounts due by parent undertakings	3,034	–
	114,025	103,248

Notes to the financial statements (continued)

at 31 July 2012

8. Debtors (continued)

Amounts due from group undertakings represents a loan to Darwin Mezzanine Limited There is no fixed date for repayment and interest is charged at 7 3% (2011 14 24%) per annum compounded half yearly on 31 January and 31 July

Amounts due from parent undertakings represent a loan to the immediate parent company, Volution Group Limited This loan has no fixed date for repayment and carries interest at 7 3% (2011 14 24%) per annum compounded half yearly on 31 January and 31 July

The Company has undertaken not to demand the loans be repaid within 12 months of the date of approving these financial statements

9. Creditors: amounts falling due within one year

	2012	*2011*
	£000	*£000*
Amounts owed to group undertakings	1,384	3,208

10. Creditors: amounts falling due after one year

	2012	*2011*
	£000	*£000*
PIK notes of £65,097,000 repayable in 2016	–	95,174
Unsecured non QCB loan notes of £3,337,000 repayable in 2016	–	6,736
Amounts owed to group undertakings	3,754	–
Amounts owed to parent undertakings	112,317	2,762
	116,071	104,672

The PIK notes and the non QCB loan notes were repaid in full during the year

Amounts owed to group undertakings falling due after one year represents a loan from Darwin Mezzanine Limited The loan has no fixed date for repayment and carries interest at 7 3% per annum compounded half yearly on 31 January and 31 July

Amounts owed to parent undertakings represents a loan from the immediate Parent Company, Volution Group Limited The loan has no fixed date for repayment and carries interest at 7 3% (2011 11 5%) per annum compounded half yearly on 31 January and 31 July

The directors have received confirmation that Darwin Mezzanine Limited and Volution Group Limited will not call for repayment of the loans within 12 months of the date of approving these financial statements

11. Issued share capital

		2012		*2011*
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
Ordinary shares of £1 each	912,700	913	912,700	913

Notes to the financial statements (continued)

at 31 July 2012

12. Reconciliation of shareholders' funds and movements on reserves

	Ordinary share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 August 2010	913	(946)	(33)
Loss for the year	–	(504)	(504)
At 1 August 2011	913	(1,450)	(537)
Profit for the year	–	(327)	(327)
At 31 July 2012	913	(1,777)	(864)

13. Contingent liabilities

The Company guaranteed bank loans of £45,111,000 held by Darwin Mezzanine Limited (an intermediate parent undertaking) with Royal Bank of Scotland plc on a joint and several basis with other Group undertakings These loans were redeemed in the year

During the year, the Company agreed to co-guarantee bank loans of £75,000,000 held by Windmill Bidco Limited (an intermediate parent undertaking) with GE Corporate Finance Bank SAS, London Branch on a joint and several basis with other Group undertakings The Company also acts as a chargor for this secured bank funding and, as such, is subject to a fixed and floating charge over its assets

14. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other wholly owned members of the Windmill Topco Limited Group, as 100% of the Company's voting rights are controlled within the group and the group financial statements in which the results of the Company are included are publicly available

15. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Volution Group Limited The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member, is Windmill Holdings BV, a company incorporated in the Netherlands The parent undertaking of the largest group in the United Kingdom for which group financial statements are drawn up and of which the Company is a member is Windmill Topco Limited The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member, is Windmill Cleanco Limited Copies of the group financial statements of Windmill Topco Limited and Windmill Cleanco Limited are available from Fleming Way, Crawley, West Sussex RH10 9YX

The majority shareholder in Windmill Topco Ltd is Windmill Holdings BV, a Company incorporated in the Netherlands and indirectly owned by TowerBrook Investors III, L P, TowerBrook Investors III Executive Fund, L P and TowerBrook Investors III (Parallel) L P ('the Funds') Windmill Holdings BV is regarded as the direct controlling party of the Company and the Funds are regarded as the ultimate controlling parties of the Company