

Registered No: SC343360

# **David Brown Systems China (Holdings) Limited**

## **Report and Financial Statements**

31 December 2013

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COMPANIES HOUSE

# David Brown Systems China (Holdings) Limited

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Registered No: SC343360

## **Directors**

W J Thomson  
S M Powell

## **Auditors**

Ernst & Young LLP  
G1  
5 George Square  
Glasgow  
G2 1DY

## **Bankers**

Bank of Scotland  
167-201 Argyle Street  
Glasgow  
G2 8BU

## **Solicitors**

Dundas & Wilson CS LLP  
191 West George Street  
Glasgow  
G2 2LD

## **Registered Office**

1 Redwood Crescent  
East Kilbride  
Lanarkshire  
G74 5PA

## Director's report

This report has been prepared in accordance with the small company exception from preparing a strategic report.

The directors present their report and financial statements for the year ended 31 December 2013.

### Results and dividends

The loss for the year amounted to £476k (2012: loss of £9,745k). The directors do not recommend the payment of a dividend (2012: £nil).

The sale of the investment in Jiangsu Shinri David Brown Gear Systems Co Limited was confirmed in December 2013.

### Principal activities and review of the business

The principal activity of the company during the year was that of a holding company.

### Directors

The directors who served the company during the year were as follows:

W J Thomson

N J Paterson (resigned 17 April 2013)

S M Powell (appointed 8 August 2013)

### Disclosure of information to the auditors

Each of the persons who is a director at the date of approval confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

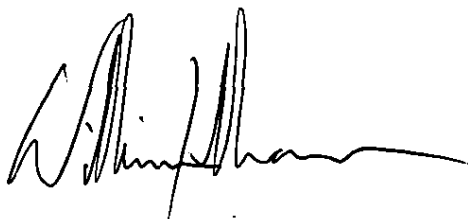
### Auditors

Pursuant to the company's articles of association, the company will propose the reappointment of Ernst & Young LLP as the company's auditors at its Annual General Meeting in accordance with Section 485 of the Companies Act 2006.

On behalf of the Board

William J Thomson  
Director

Date:



## **Statement of director's responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual 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 those 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 to 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 David Brown Systems China (Holdings) Limited**

We have audited the financial statements of David Brown Systems China (Holdings) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. 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 on page 3, 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 December 2013 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.

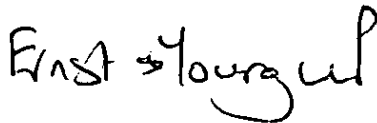
## Independent auditors' report

to the members of David Brown Systems China (Holdings) 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.



James Bishop (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow  
United Kingdom  
Date:

3 October 2014

**Profit and loss account**

for the year to 31 December 2013

	<i>Note</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
<b>Turnover</b>		-	-
Administrative expenses	2	-	(240)
Impairment of investment	5	(476)	(9,503)
<b>Operating loss</b>		<u>(476)</u>	<u>(9,743)</u>
Interest payable and similar charges	3	-	(3)
<b>Loss on ordinary activities before taxation</b>		<u>(476)</u>	<u>(9,746)</u>
Tax on loss on ordinary activities	4	-	1
<b>Loss retained for the financial year</b>		<u>(476)</u>	<u>(9,745)</u>

There are no recognised gains or losses other than the loss of £476k (2012: £9,745k) attributable to the shareholders for either the current or prior year.

The operating loss in the year arises from continuing operations.

The accompanying notes form an integral part of these financial statements.

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**Balance sheet**

at 31 December 2013

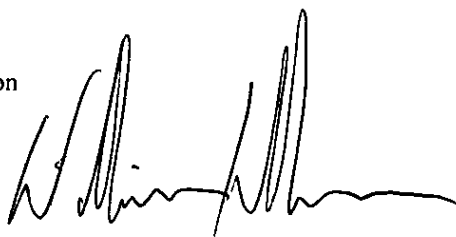
	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Investments	5	-	5,536
		-	5,536
<b>Current assets</b>			
Amounts due from group undertakings	6	196	196
<b>Creditors: amounts falling due within one year</b>	7	(10,546)	(15,606)
<b>Net current liabilities</b>		(10,350)	(15,410)
<b>Total assets less current liabilities</b>		(10,350)	(9,874)
<b>Net liabilities</b>		(10,350)	(9,874)
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	(10,350)	(9,874)
<b>Total shareholders' deficit</b>	9	(10,350)	(9,874)

The accompanying notes form an integral part of these financial statements.

Approved by the Board and authorised for issue.

William J Thomson  
Director

Date:





## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### *Basis of preparation*

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

The financial statements have been prepared on the going concern basis despite the company being in a net liability position at the year end. The directors believe this to be appropriate for the following reason:

The company is dependent on funds provided to it by David Brown Systems S.a.r.l. The company's intermediate parent undertaking, David Brown Systems S.a.r.l has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company.

Based on the indications from David Brown Systems S.a.r.l, the director believes that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

The company has availed itself of the exemption conferred by Section 402 of the Companies Act 2006, whereby group financial statements need not be prepared as the company is a wholly owned subsidiary undertaking of David Brown Systems (Holdings) S.a.r.l. which prepares group financial statements.

#### *Cash flow statement*

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes consolidated financial statements.

#### *Investments*

Fixed asset investments are shown at cost less any provision for impairment.

#### *Related parties transactions*

The company has taken advantage of the exemption granted by FRS 8 as a subsidiary undertaking whose voting rights are controlled within the group, from disclosing transactions with other group companies.

#### *Foreign currencies*

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 balance sheet date.

All differences are taken to the profit and loss account.

### 2. Administrative expenses

Directors' emoluments for services rendered to this company for the year are £500 (2012: £500).

Auditor's remuneration for the year totalled £1,500 (2012: £1,500).

### 3 Interest payable and similar charges

	2013 £'000	2012 £'000
Exchange loss	-	3
	<hr/>	<hr/>
	-	3
	<hr/>	<hr/>

## Notes to the financial statements

at 31 December 2013

### 4. Tax

#### a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax on results for the year	-	-
Group relief payable / (receivable)	-	(1)
Total current tax (note 4 (b))	-	(1)

The tax assessed on the loss on ordinary activities for the year is higher to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

	2013 £000	2012 £000
Loss on ordinary activities before taxation	(476)	(9,746)
Loss on ordinary activities multiplied by UK corporation tax rate of 24.5% (2012: 24.5%)	(111)	(2,388)
Expenses not deductible for tax purposes	111	2,387
Total current tax (note 4(a))	-	(1)

#### b) Factors that may affect future tax charges

There is no provision for deferred taxation.

A reduction in the UK corporation tax rate from 24% to 23% took effect from 1 April 2013. A further reduction from 23% to 21% was substantively enacted in July 2013 and will be effective from 1 April 2015. Accordingly, these rates have been applied in the measurement of the deferred tax assets and liabilities at 31 December 2013.

## Notes to the financial statements

at 31 December 2013

### 5. Investments

	Shares in subsidiary undertakings £'000
<i>Cost and net book value:</i>	
At 1 January 2013	5,536
Additions	-
Disposal of investment	(5,060)
Impairment recognised in year	(476)
<b>At 31 December 2013</b>	<b>-</b>

<i>Subsidiary undertakings</i>	<i>Nature of business</i>	<i>Country of registration or incorporation</i>
David Brown Gear Systems Trading (Shanghai) Co Ltd	Trading	China

In December 2013, David Brown Systems China (Holdings) Limited sold its share of Jiangsu Shinri David Brown Gear Systems Co Limited to the investment partner for £5.1m.

The interest in the subsidiary undertaking of the company, which is engaged in the sourcing and supply of engineering products, was impaired following a review of the carrying value. The shares are wholly owned and the share capital comprises ordinary shares.

## Notes to the financial statements

at 31 December 2013

### 6. Debtors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts due from related undertakings	196	196
	<u>196</u>	<u>196</u>

### 7. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Accruals	5	-
Amounts due to related undertakings	10,451	15,606
	<u>10,456</u>	<u>15,606</u>

### 8. Share capital

	No.	2013 £	No.	2012 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### 9. Reconciliation of shareholders' funds and movement on reserves

	Share Capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2013	-	(9,874)	(9,874)
Loss for the year	-	(476)	(469)
	<u>-</u>	<u>(10,350)</u>	<u>(10,260)</u>
At 31 December 2013	-	(10,350)	(10,260)

## Notes to the financial statements

at 31 December 2013

### 10. Ultimate parent company

The company's immediate parent undertaking is David Brown Systems UK Limited, a company incorporated in the United Kingdom.

The company's intermediate parent undertaking in which David Brown China (Holdings) Limited's results are consolidated is David Brown Systems (Holdings) S.a.r.l, a company registered in Luxembourg. Copies of the financial statements can be obtained from 37 Rue D'Anvers, Luxembourg.

Management considers the company's ultimate parent undertaking to be Clyde Blowers Capital Fund II LP which is a limited partnership incorporated in Scotland.