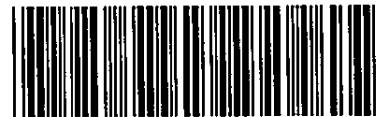


Registered Number 4330235

TMD Friction UK Limited

Annual report and financial statements for the
year ended 31 December 2013

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TMD Friction UK Limited

Annual report and financial statements for the year ended 31 December 2013

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TMD Friction UK Limited

Directors and advisers for the year ended 31 December 2013

Directors

M R Hartland

S Firbank

D Baines (resigned 12 June 2013)

M S Scott (appointed 6 June 2013)

R Milczarek (appointed 10 June 2013)

Company secretary

M R Hartland

Registered Office

PO Box 18

Hunsworth Lane

Cleckheaton

West Yorkshire

BD19 3UJ

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Benson House

33 Wellington Street

Leeds

LS1 4JP

Bankers

HSBC Bank plc

14 Bradford Road

Cleckheaton

West Yorkshire

BD19 3SR

TMD Friction UK Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report of TMD Friction UK Limited for the year ended 31 December 2013

Principal activity

The principal activity of the company is the manufacture and distribution of brake pads, discs and shoes for passenger cars, commercial vehicles and trains

Review of business

The company achieved an operating profit of £5,129,000 (2012 £8,313,000) on turnover of £78,547,000 (2012 £74,054,000). This operating profit is after charging depreciation of tangible fixed assets and amortisation of intangible fixed assets totalling £6,514,000 (2012 £6,261,000) for the year.

Turnover increased by £4,493,000 in 2013 due to an increase in direct sales. Demand from group companies for passenger car pads was lower than in 2012.

In 2013 a Euro denominated Group Loan Note was converted into GBP which reduces the risk to the business of movements in rates of foreign exchange.

The company made capital investments of £1,648,000 during 2013 as part of the company's ongoing investment to improve quality and service to customers.

Foreign exchange gains of £2,172,000 were recognised during the year (2012 £2,723,000 loss). These gains combined with the operating performance resulted in a retained profit of £7,968,000 (2012 £4,428,000). The closing balance sheet shows net assets of £105,234,000 (2012 £99,221,000).

Future outlook

TMD anticipates growth in both UK and export markets for 2014 in both passenger car and commercial vehicles. Continuing efforts to increase sourcing of material from low cost countries are expected to deliver further improved profitability in 2014. Investment of £2,300,000 is planned for 2014.

It is the intention of management during the 2014 financial year to hive-up the trade and assets of Eurofriction Limited into TMD Friction UK Limited. As at the balance sheet date and the date of signing these financial statements, this has not been formally finalised or transacted and therefore there is no impact on the financial statements of either company for the year ended 31 December 2013. The hive-up will be performed at book value, and it is the intention of management that Eurofriction Limited will cease trading from the date of the hive-up and become dormant.

As of 28 March 2014 the pension scheme has completed a consultation process with active members to move from RPI to CPI as the measure of inflation. This change will have an effective date of 1 April 2014, with no impact on the 31 December 2013 results.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to global demand for commercial and passenger vehicles, employee retention and the availability of raw materials. The company closely monitors global demand and is part of a larger group which assist with sourcing of raw materials and smoothing manufacturing.

The company's exposure to financial risk, including raw material price risk, credit risk, and liquidity risk is managed at a group level.

Financial risk

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

TMD Friction UK Limited

Strategic report for the year ended 31 December 2013 (continued)

Principal risks and uncertainties (continued)

Credit Risk

If customers are independently rated, these ratings are used otherwise, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors

Raw material price risks

Due to the significant amount of raw material cost in the overall cost of a product, the Group is exposed to risk in relation to raw material prices, especially those of metals. The Group manages this risk by hedging raw material prices for a significant portion of the demand for copper and tin or agreeing fixed prices on certain other metal purchases

The Group does not trade in futures in relation to these metals. The Group also tries, where possible, to build in price indices with customers that track changes in the prices of metals in order to mitigate the impact of price increases

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines

Management monitors rolling forecasts looking out over a 13 week period to manage the usage of the Group's liquidity reserve on the basis of expected cash flow. This adjusts for cash flows which may be restricted for a period of time to cover, for example, letter of credit commitments

Key performance indicators (KPI's)

The company mainly monitors the performance of the business based on financial measures of performance including

- Revenue growth
- EBIT
- Profit before tax

The company monitor non financial KPIs such as stock loss and weekly production, as well as fuel usage and car sales in the UK and European economy

Employee involvement and training

The company will continue to pursue, with vigour, its policy on the active involvement and participation of all employees in the achievement of a safe, efficient and effective group. To this end, the company will invest in the necessary training and development, which will be mutually beneficial to meet the individual's needs and objectives of the company

The company believes that our human resources are our most valued asset and the key to our continued success. We will ensure that we communicate at all levels of the organisation

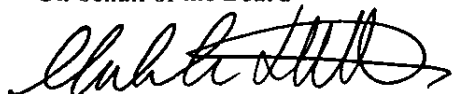
The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

TMD Friction UK Limited

Strategic report for the year ended 31 December 2013 (continued)

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its goals.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'M S Scott', written over a horizontal line.

M S Scott
Director
6 May 2014

TMD Friction UK Limited

Directors' report for the year ended 31 December 2013

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

Immediate parent company

The immediate parent undertaking, until 27 February 2013 was TMD Friction Holdings (Lux) S a r l On 27 February 2013 TMD Friction Holdings (Lux) S a r l sold 100% of its shareholding in TMD Friction UK Limited to TMD Friction Holdings (UK) Limited

Results and dividends

The directors do not recommend payment of a dividend (2012 £nil) The profit for the year of £7,968,000 (2012 £4,428,000) will be added to reserves

Research and development

During the year, the gross investment made by the Company on research and development was £529,000 (2012 £531,000)

Land and buildings

There is no material difference between the book value and market value of the land and buildings

Directors

The directors of the company, who held office during the year and up to the date of signing the financial statements, were as follows

M R Hartland

S Firbank

D Baines (resigned 12 June 2013)

M S Scott (appointed 6 June 2013)

R Milczarek (appointed 10 June 2013)

Qualifying third party indemnity provisions

The company maintains liability insurance for its directors and officers The company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force

TMD Friction UK Limited

Directors' report for the year ended 31 December 2013 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 prepared 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,
- 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to independent auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



M S Scott
Director
6 May 2014

TMD Friction UK Limited

Independent auditors' report to the members of TMD Friction UK Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by TMD Friction UK Limited, comprise

- the balance sheet as at 31 December 2013,
- the profit and loss account and statement of total recognised gains and losses for the year then ended,
- the accounting policies, and
- the notes to the financial statements, which include other explanatory information

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)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") 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 Annual report and financial statements (the "Annual Report") 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 other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

TMD Friction UK Limited

Independent auditors' report to the members of TMD Friction UK Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing



Richard Bunter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
6 May 2014

TMD Friction UK Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	1	78,547	74,054
Cost of sales		(50,761)	(46,999)
Gross profit		27,786	27,055
Distribution costs		(3,505)	(3,725)
Administrative expenses		(19,152)	(15,017)
Operating profit		5,129	8,313
Analysed as			
Operating profit before exceptional items		5,185	8,851
- restructuring	2	(56)	(538)
Operating profit		5,129	8,313
Finance income / (expense)	6	4,440	(1,360)
Analysed as			
Interest receivable and similar income	6	2,714	1,208
Interest payable and similar charges	6	(46)	(45)
Foreign exchange gain/(loss)	2, 6	2,172	(2,723)
Other finance (expense)/income	20, 6	(400)	200
Profit on ordinary activities before taxation	2	9,569	6,953
Tax on profit on ordinary activities	7	(1,601)	(2,525)
Profit for the financial year	19	7,968	4,428

All items dealt with in arriving at operating profit relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

TMD Friction UK Limited

Statement of total recognised gains and losses for the year ended 31 December 2013

		2013	2012
	Note	£'000	£'000
Profit for the financial year		7,968	4,428
Actuarial loss on pension scheme	20	(2,700)	(3,500)
Movement on deferred tax relating to pension liability	16	745	897
Total recognised gains relating to the year	19	6,013	1,825

TMD Friction UK Limited

Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	8	36,885	41,183
Tangible assets	9	7,571	7,480
Investments	10	7,126	6,780
		51,582	55,443
Current assets			
Stocks	11	4,994	5,578
Debtors	12	76,057	65,822
Cash at bank and in hand		2,985	2,575
		84,036	73,975
Creditors - amounts falling due within one year	13	(14,359)	(14,287)
Net current assets		69,677	59,688
Total assets less current liabilities		121,259	115,131
Creditors – amounts falling due after more than one year	14	(9,735)	(10,071)
Provisions for liabilities	15	(49)	(64)
Net assets excluding pension liability		111,475	104,996
Pension liability	20	(6,241)	(5,775)
Net assets		105,234	99,221
Capital and reserves			
Called up share capital	17	64,191	64,191
Share premium account	18	24,433	24,433
Profit and loss account	18	16,610	10,597
Total shareholders' funds	19	105,234	99,221

The financial statements on pages 9 to 36 were approved by the board of directors on 6 May 2014 and were signed on its behalf by



M S Scott
Director
Registered Number 4330235

TMD Friction UK Limited

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. A summary of the more important accounting policies is set out below. The principle accounting policies have been applied consistently throughout the year.

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Nisshinbo Holdings Incorporated and is included in the consolidated financial statements of Nisshinbo Holdings Incorporated, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Nisshinbo Holdings Incorporated.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Provision for depreciation and diminution in value including obsolescence and impairment has been made against fixed assets on the basis and at rates calculated to reduce the net book amount of each asset to its estimated residual value, on a straight line basis over its estimated economic life. The estimated economic lives used for this purpose are:

Freehold buildings	40 years
Long leasehold buildings	40 years
Computer software	5 years
<i>Plant and machinery comprising</i>	
Plant and machinery	15 – 18 years
Tooling	2 - 3 years
Motor vehicles	4 years

No depreciation is provided on freehold and leasehold land. Tangible fixed assets are not revalued. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets is dealt with in the profit and loss account in the period in which it arises.

Goodwill

Positive goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets are recovered. In the case of fixed assets this is the period over which they are depreciated, and in the case of current assets, the period over which they are otherwise realised.

TMD Friction UK Limited

Accounting policies (continued)

Other intangible assets

Other intangible assets represent the capitalisation of costs incurred in conforming to and obtaining regulation 90 licences. Regulation 90 licences are required to sell brake pads in the European aftermarket. Costs relating to the Regulation 90 approval of product are capitalised and amortised over a period of 5 years. Impairment losses are recognised in the profit and loss account in the period.

The recoverable amount of any of the company's assets is determined as the greater of the pre-tax net realisable value and the value in use. In assessing the value in use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money for the group. For any assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first-in, first-out basis,
Work in progress and finished goods	- cost of direct materials and labour, plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provision is recognised for stock when it is considered that it is slow moving or obsolete, based on the expected future sales of the stock line.

The company recognises capital inventories where tangible fixed assets are purchased and held as spares before being used to replace damaged or worn out assets. These engineering spares are included within raw materials and consumables stocks.

Turnover

Turnover represents the invoiced value of goods despatched and services supplied to customers, excluding value added tax and net of trade discounts. Turnover is recognised at the point of despatch.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account. Foreign exchange gains or losses arising on loans are included within finance expense.

Leases

Costs and rental income in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Provision is made when necessary for onerous lease contracts. Provision is made for the cost of the lease together with associated costs less any anticipated sub-lease income. The provision is not discounted.

During 2012 the company entered into a finance lease for a period of 3 years for the purchase of licences for computer software. This has been capitalised as an intangible asset and will be depreciated over a period of 5 years. The related interest costs will be charged to finance expenses.

TMD Friction UK Limited

Accounting policies (continued)

Pensions

The company operates a defined benefit pension scheme for the benefit of a number of its employees, the assets of which are held separately from those of the in independently administered funds

Annual valuations are prepared by independent professionally qualified actuaries. The last full actuarial valuation was performed as at 31 March 2011. These valuations determine the level of contributions required to fund the benefits set out in the rules of the scheme and allow for the periodic increase in pensions in payment. Following the full adoption of FRS 17, the regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged to operating profit in the year.

A credit representing the expected return on the assets of the scheme during the year is included within other finance income. This is based on the market value of the assets of the scheme at the start of the financial year. A charge within other finance expense representing the expected increase in the liabilities of the scheme during the year is included within net interest. This arises from the liabilities of the scheme being one year closer to payment.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax. Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in actuarial assumptions.

The company also operated a defined contribution scheme. The pension charge represented contributions payable by the company to the scheme.

Post-retirement benefits

The company provides no other post-retirement benefits to its employees.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The charge for taxation is based on the results for the year. In accordance with FRS 19, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. Deferred tax assets are recognised only to the extent that they are regarded as recoverable such that 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 recognised have not been discounted.

Consolidation

The company is a wholly-owned subsidiary of Nisshinbo Holdings Incorporated and is included in the consolidated financial statements of Nisshinbo Holdings Incorporated, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

TMD Friction UK Limited

Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013

1 Segmental reporting

Turnover	2013 £'000	2012 £'000
Geographical analysis by destination:		
UK	33,139	30,571
Europe	44,378	42,531
North America	77	226
Rest of World	953	726
	78,547	74,054

The company operates in a single business segment, namely the manufacture and sale of brake pads and liners for the vehicle and brake industry. All turnover originates in the United Kingdom.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 Profit on ordinary activities before taxation

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation charges (note 9)		
- owned tangible fixed assets	1,526	1,423
Amortisation charges (note 8)		
- goodwill	4,367	4,368
- other intangible assets	621	470
Operating lease charges		
- plant and machinery	127	146
- other	265	199
Finance lease charges		
- Other	336	224
Auditors' remuneration - audit services	43	44
- non audit services	15	16
Restructuring (exceptional)	56	538
Research and development costs	529	531
Foreign exchange loss/(gain)	(2,172)	2,723
Loss on disposal of fixed assets	11	-

Exchange loss /(gains)

Exchange rate movements of €1 16 £1 at 31 December 2011 to €1 23 £1 at 31 December 2012 led to a loss of £2,723,000 in 2012, relating to the intercompany loan. In 2013 this loan has been converted to a GBP denomination with a gain on exchange of £2,172,000.

Restructuring

During 2012 the company incurred restructuring costs of £467,000 relating to two deficit reduction exercises in relation to the defined benefit pension scheme and management restructuring. In 2013 this figure was £nil. Other restructuring costs of £56,000 (2012: £71,000) were incurred in 2013.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Directors' emoluments

	2013	2012
	£'000	£'000
Emoluments (including benefits in kind)	245	468

Retirement benefits are accruing to 3 (2012: 3) directors under a defined contribution scheme

The highest paid director received emoluments of £128,000 (2012: £303,000), including £11,000 (2012: £14,000) payment to a money purchase pension

4 Employee costs

	2013	2012
	£'000	£'000
Wages and salaries	13,550	13,165
Social security costs	1,198	1,187
Other pension costs	728	760
Staff costs	15,476	15,112

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

By activity	2013	2012
	Number	Number
Manufacturing	435	431
Administration	100	106
	535	537

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Finance income/(expenses)

	2013	2012
	£'000	£'000
Interest payable and similar charges	(46)	(45)
Interest receivable and similar income	2,714	1,208
Foreign exchange gain / (loss) on loans	2,172	(2,723)
Other finance income (note 20)	(400)	200
Total finance income/(expenses)	4,440	(1,360)

7 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Current tax		
Current tax charge for the year	1,082	992
Adjustments in respect of prior years	-	(654)
Total current tax	1,082	338
Deferred tax		
Impact of change in tax rates	132	225
Adjustments in respect of prior years	-	135
Origination and reversal of timing differences	(274)	1,125
Adjustments in respect of pensions	661	702
Total deferred tax charge for the year	519	2,187
Tax on profit on ordinary activities	1,601	2,525

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2012 lower) than the standard rate of corporation tax in the UK of 23.25% (2012 24.5%). The differences are explained below

	2013	2012
	£'000	£'000
Profit on ordinary activities before taxation	9,569	6,953
Current tax charge on ordinary activities applying the standard rate in the UK of 23.25% (2012 24.5%)	2,225	1,704
Effects of		
Expenses not deductible for tax purposes	988	1,176
Capital allowances (less than) / in excess of depreciation	195	(35)
Pension scheme contributions	(719)	(637)
Adjustment in respect of prior years	-	(654)
Utilisation of tax losses	(1,607)	(1,216)
Current tax charge for the year	1,082	338

During the prior year, there was a change in the UK main corporation tax rate that was enacted on 17 July 2012, to 23%, which became effective from 1 April 2013. A further reduction to the UK corporation tax rate was enacted in the Finance Act 2013 on 17 July 2013, reducing the rate to 21% from 1 April 2014 and 20% from 1 April 2015. As all of these changes had been enacted at the balance sheet date, deferred tax balances have been re-measured accordingly.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Intangible assets

	Goodwill	Other	Total
	£'000	£'000	£'000
Cost			
At 1 January 2013	86,976	4,319	91,295
Additions during the year	-	690	690
At 31 December 2013	86,976	5,009	91,985
Aggregate amortisation			
At 1 January 2013	47,691	2,421	50,112
Amortisation during the year	4,367	621	4,988
At 31 December 2013	52,058	3,042	55,100
Net book amount at 31 December 2013	34,918	1,967	36,885
Net book amount at 31 December 2012	39,285	1,898	41,183

Positive goodwill of £86,976,000 arose on the transfer of trade and assets of the UK branch of TMD Friction Services GmbH (formerly TMD Friction Europe GmbH) to the company and is being amortised over a period of 20 years. This is the period over which the directors have estimated that the value of the underlying business acquired will exceed the value of the underlying assets.

Other intangible assets represent the capitalisation of costs incurred in conforming to and obtaining regulation 90 licences. Regulation 90 licences are required to sell brake pads in the European aftermarket. These costs are amortised over a period of 5 years, which represents the most profitable period of a brake pad's life cycle in the aftermarket. Also included in 2013 is the cost of software licences obtained through a finance lease in 2012 which are to be amortised over a 5 year period.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

9 Tangible assets

	Freehold land and buildings	Long leasehold land and buildings	Plant and machinery	Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2013	1,991	424	13,680	266	16,361
Additions	143	-	1,477	28	1,648
Disposals	(10)	-	(1,988)	-	(1,998)
At 31 December 2013	2,124	424	13,169	294	16,011
Accumulated depreciation					
At 1 January 2013	394	129	8,160	198	8,881
Charge for the year	103	11	1,379	33	1,526
Disposals	(10)	-	(1,957)	-	(1,967)
At 31 December 2013	487	140	7,582	231	8,440
Net book value at 31 December 2013	1,637	284	5,587	63	7,571
Net book value at 31 December 2012	1,597	295	5,520	68	7,480

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Investments

	Interests in group undertakings £000
Cost	
At 1 January 2013	6,780
Additions	346
At 31 December 2013	7,126

The company owns the whole of the issued share capital of the following companies

Name of undertaking	Country of incorporation	Description of principal activity	Shares held
Eurofriction Limited	Scotland	Brakepad manufacturer	Ordinary £1 shares
TMD Friction S A (Pty)	South Africa	Brakepad manufacturer	Ordinary £1 shares

The directors believe that the carrying value of the investments is supported by their underlying net assets

11 Stocks

	2013 £'000	2012 £'000
Raw materials	1,473	1,768
Work in progress	74	86
Finished goods	3,447	3,724
	4,994	5,578

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

12 Debtors

	2013	2012
	£'000	£'000
Trade debtors	6,653	6,284
Amounts owed by group undertakings	68,785	59,017
Deferred tax asset (note 16)	90	-
Prepayments and accrued income	529	521
	76,057	65,822

Trade amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Short term loan amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 6% on GBP denominated loan of £59,804,198 and 1.6% on GBP denominated loan of £3,079,222.

13 Creditors – amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	5,168	5,930
Amounts owed to group undertakings	2,997	2,232
Taxation and social security	1,233	1,013
Other creditors	3,950	3,710
Accruals and deferred income	675	864
Finance lease	336	336
Deferred tax liability (note 16)	-	202
	14,359	14,287

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

14 Creditors – amounts falling due after more than one year

	2013 £'000	2012 £'000
Group loan notes	9,623	9,623
Finance lease	112	448
	9,735	10,071

The loan notes are unsecured and interest is charged at the rate of 11.5% per annum. There is no fixed date of repayment.

Finance leases

Future minimum payments under finance leases are as follows

	2013 £'000	2012 £'000
Within one year	336	336
In more than one year, but not more than five	112	448
After five years	-	-
Total gross payments	448	784
Less finance charges included above	(23)	(71)
	425	713

15 Provisions for liabilities

	Provisions for onerous lease £'000
At 1 January 2013	64
Credited to the profit and loss account	(15)
At 31 December 2013	49

The provision for onerous lease comprises dilapidations on a lease rental which expires in September 2014. Full provision has been made based on management's best estimate to cover dilapidations.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

16 Deferred taxation

The provided amounts of deferred taxation for timing differences are below. There are no unprovided amounts.

	2013	2012
	Provided	Provided
	£'000	£'000
Trading losses	-	-
Accelerated capital allowances	90	(202)
Deferred tax asset / (liability)	90	(202)

A deferred tax asset has been recognised against the pension liability (note 20).

The movement in the total deferred tax provided, including the deferred tax asset in respect of pensions, may be summarised as follows:

	2013			2012		
	Pensions	Other	Total	Pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	1,725	(202)	1,523	1,664	1,149	2,813
Charged to the profit and loss account	(811)	292	(519)	(836)	(1,351)	(2,187)
Credited to the statement of total recognised gains and losses	745	-	745	897	-	897
Total deferred tax asset	1,659	90	1,749	1,725	(202)	1,523

The impact of the change in tax rate on the deferred tax balances is not material.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

17 Called up share capital

	2013 £'000	2012 £'000
Authorised		
100,000,000 (2012 100,000,000) ordinary shares of £1 each	100,000	100,000
Allotted and fully paid		
64,191,000 (2012 64,191,000) ordinary shares of £1 each	64,191	64,191

TMD Friction Holdings (UK) Limited own 100% of TMD Friction UK Limited shares

18 Reserves

	Share premium account £'000s	Profit and loss account £'000
At 1 January 2013	24,433	10,597
Profit for the financial year	-	7,968
Actuarial loss on pension scheme	-	(2,700)
Movement on deferred tax relating to pension liability	-	745
At 31 December 2013	24,433	16,610

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

19 Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
Profit for the financial year	7,968	4,428
Actuarial loss on pension scheme (note 20)	(2,700)	(3,500)
Movement on deferred tax relating to pension liability (note 16)	745	897
Net additions to shareholders' funds	6,013	1,825
Total shareholders' funds as at 31 December	105,234	99,221

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments

Details of the Scheme

TMD Friction UK Limited sponsors the TMD Friction UK Pension Scheme. The Scheme is administered within a Trust which is legally separate from the Company. Trustee Directors are appointed by both the Company and the Scheme's membership and act in the interests of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is also responsible for investment of the Scheme's assets.

The Final Salary / CARE section of the Scheme closed to new entrants on 28 January 2001. The Money Purchase section of the Scheme is open to new entrants. The disclosures relate only to the Final Salary / CARE section of the Scheme. This section of the Scheme provided final salary benefits prior to 1 February 2004, and has provided benefits based on career average revalued earnings ('CARE') since that date.

Members of the Final Salary / CARE section of the Scheme accrue an annual pension of 1/90th, 1/75th or 1/60th of CARE for each year of pensionable service depending on their age and the level of member contributions paid. Accrual rates increase retrospectively when contributions are increased to the next level. Pensions increase in line with inflation whilst in payment subject to maximum limits specified in the Scheme's Rules. The Scheme also provides lump sum benefits and a 50% spouse's pension on the death of a member.

Active members of the Scheme pay contributions at the rate of either 6%, 7% or 8% pa depending on their age. These contributions are made by the Company through a salary sacrifice arrangement for some members. The Company pays the balance of the cost as determined by regular actuarial valuations.

The Scheme poses a number of risks to the Company, for example longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The Trustee is aware of these risks and uses various techniques to control them. The Trustee has a number of internal control policies including a risk register, which are in place to manage and monitor the various risks it faces.

During 2011 the Company undertook a deficit and risk reduction exercise which comprised of an Enhanced Transfer Value (ETV) offer to deferred members and a Pension Increase Exchange (PIE) exercise offered to existing pensioners.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 31 March 2014. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 31 March 2011. The results of that valuation have been projected to 31 December 2013 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

Company contributions to the Final Salary / CARE section for the next financial year are expected to be approximately £3,300,000.

As of 28 March 2014 the pension scheme has completed a consultation process with active members to move from RPI to CPI as the measure of inflation. This change will have an effective date of 1 April 2014, with no impact on the 31 December 2013 results.

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments (continued)

The major financial assumptions used by the actuary were

	At 31 Dec 2013	At 31 Dec 2012
	% pa	% pa
Rate of increase in salaries	2.90	3 30
Rate of increase in payment of GMP accrued before 6 April 1988	0.00	0 00
Rate of increase in payment of GMP accrued after 5 April 1988	2.25	1 95
Rate of increase in payment of non-GMP pension accrued before 1 February 2004	3.40	2 80
Rate of increase in payment of pension accrued between 1 February 2004 and 5 April 2005	2.40	2 05
Rate of increase in payment of pension accrued after 5 April 2005	2.05	1 85
Discount rate	4.50	4 20
Expected return on assets at end of year	4.50	4 20
Inflation assumption RPI	3.40	2 80
Inflation assumption CPI	2.40	2 05
Revaluation of deferred pensions in excess of GMP	2.40	2 05

The major demographic assumptions used by the actuary were

	At 31 Dec 2013	At 31 Dec 2012
Proportion of employees opting for early retirement	0.0%	0 0%
Proportion of employees commuting pension for cash	100.0%	100 0%
Mortality assumption – male pre and post retirement	S1PMA tables rated by 120% with long cohort improvements subject to a minimum improvement of 1% pa	
Mortality assumption – female pre and post retirement	S1PFA tables rated by 105% with long cohort improvements subject to a minimum improvement of 1% pa	

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments (continued)

The mortality tables used as at 31 December 2013 match those used in the 2011 valuation and are namely the SAPS year of birth standard tables rated by 120% for male members and 105% for female members with an allowance for the long cohort effect subject to a minimum improvement of 1% pa. The life expectancy implied by these tables for typical members are

	2013	2012
<hr/>		
Longevity at age 65 (65 in 2013) for current pensioners		
- Men	21.5	21.4
- Women	25.3	25.2
Longevity at age 65 (45 in 2013) for future pensioners		
- Men	23.4	23.3
- Women	27.2	27.1
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TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments (continued)

The total assets and liabilities in the schemes and the expected rates of return are

	2013	2012	2013	2012
	%	%	£'000	£'000
Bonds	4.5	4.2	100	100
Equities	4.5	4.2	400	400
Diversified growth fund	4.5	4.2	57,200	53,200
Cash	4.5	4.2	200	300
Total market value of scheme assets			57,900	54,000
Present value of scheme liabilities			(65,800)	(61,500)
Deficit in the scheme			(7,900)	(7,500)
Related deferred tax asset			1,659	1,725
Net pension liability			(6,241)	(5,775)

Note the £500,000 invested in bonds and equities relates to the money purchase accounts held in respect of transferred in benefits with GMP underpins. The scheme has no investments in the company nor in the property occupied by the company.

Analysis of the amounts charged to the profit and loss account	2013	2012
	£'000	£'000
Charged to operating profit:		
Current service cost	400	400
Net charged to operating profit	400	400
Charged/(credited) to other financial expenses:		
Interest cost	2,500	2,700
Expected return on pension scheme assets	(2,100)	(2,600)
Settlement gain from ETV exercise	-	(300)
Net charged to other financial expenses	400	(200)
Total defined benefit cost / (credit)	800	200

The company also operated a defined contribution scheme during the period. The total amount charged to the profit and loss account in respect of this scheme was £327,685 (2012: £330,991).

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments (continued)

Statement of total recognised gains and losses	2013	2012
	£'000	£'000
Actual return less expected return on pension scheme assets	700	200
Change in assumptions underlying the present value of the scheme liabilities	(3,400)	(3,700)
Actuarial loss recognised in statement of total recognised gains and losses	(2,700)	(3,500)
Cumulative actuarial loss recognised in statement of total recognised gains and losses	(8,100)	(5,320)

Experience gains and losses for the year	2013	2012	2011	2010	2009
Difference between expected and actual return					
Amount (£'000)	700	200	(3,400)	1,500	3,500
Percentage of scheme assets	1.2%	0.4%	6.6%	2.9%	7.4%
Experience gains on scheme liabilities					
Amount (£'000)	-	-	1,500	-	-
Percentage of the present value of the scheme liabilities	-	-	2.6%	-	-
Total included in statement of total recognised gains and losses					
Amounts (£'000)	(2,700)	(3,500)	(3,853)	533	(5,700)
Percentage of the present value of the scheme liabilities	4.1%	5.7%	6.7%	0.9%	10.5%

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments (continued)

	Year to 31 Dec 2013 £'000	Year to 31 Dec 2012 £'000
Changes in the present value of defined benefit obligation		
Defined benefit obligation at start of period	61,500	57,700
Current service cost	400	400
Settlement (gain) / loss	-	(900)
Interest cost	2,500	2,700
Member contributions	100	100
Benefit payments	(2,100)	(2,200)
Actuarial losses arising from changes in financial assumptions	3,400	3,700
Defined benefit obligation at end of period	65,800	61,500

	Year to 31 Dec 2013 £'000	Year to 31 Dec 2012 £'000
Changes in the fair value of scheme assets		
Scheme assets at start of period	54,000	51,300
Employer contributions	3,100	2,600
Member contributions	100	100
Interest income	2,100	2,700
Settlement gain / (loss)	-	(600)
Benefit payments	(2,100)	(2,200)
Administration expenses	(200)	(200)
Actuarial gains on assets	700	300
Scheme assets at end of period	57,900	54,000
Actual return on assets over the period (net of investment expenses)	2,800	3,000

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20 Pension commitments (continued)

Split of scheme liability by category of membership

	Year to 31 Dec 2013	Year to 31 Dec 2012
	£'000	£'000
Active members	18,000	15,100
Deferred members	13,000	12,100
Pensions in payment	34,800	34,300
Average duration of the scheme's liabilities at the end of the period (years)	20	20

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions is set out below

	Change in assumption	Impact on scheme liabilities
Discount rate	0.1% pa	£1.3m
Rate of inflation (RPI and CPI)	0.1% pa	£1.0m
Life expectancies	1 year	£2.1m

TMD Friction UK Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

21 Financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases expiring as follows

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	75	9	20	27
Between two and five years	80	197	120	135
After five years	-	-	-	-
	155	206	140	162

22 Ultimate parent undertaking

The immediate parent undertaking until 27 February 2013 was TMD Friction Holdings (Lux) S a r l . On 27 February 2013 TMD Friction Holdings (Lux) S a r l sold 100% of its shareholding in TMD Friction UK Limited to TMD Friction Holdings (UK) Limited

The ultimate parent undertaking and controlling party is Nisshinbo Holdings Incorporated , which is the parent undertaking of the largest group that consolidate these financial statements. The Nisshinbo Holdings Incorporated financial statements are available from The secretary, Nisshinbo Holdings Inc, 2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo