

**Registered Number 4330235**

**TMD Friction UK Limited**

**Annual report and financial statements for the  
year ended 31 December 2009**

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# **TMD Friction UK Limited**

## **Annual report and financial statements for the year ended 31 December 2009**

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# **TMD Friction UK Limited**

## **Directors and advisers for the year ended 31 December 2009**

### **Directors**

M R Hartland

J Besting

S Firbank (Appointed 7 September 2009)

### **Secretary**

M R Hartland

### **Registered Office**

PO Box 18

Hunsworth Lane

Cleckheaton

West Yorkshire

BD19 3UJ

### **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**

## **Directors' report for the year ended 31 December 2009**

The directors present their report and the audited financial statements for the year ended 31 December 2009

### **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

### **Ultimate parent company**

On 8 December 2008, the principal German subsidiaries of the TMD Friction Group, including TMD Friction UK Limited's immediate parent undertaking, TMD Friction GmbH, filed for administration in the district court of Cologne, Germany. On 21 April 2009, Pamplona Capital Management completed the purchase of the assets of the insolvent German subsidiaries of the TMD Friction Group from the Administrator. The assets purchased included non-German subsidiaries of the TMD Friction Group, including the shares of TMD Friction UK Limited, which are now owned by TMD Friction Holdings (Lux) S a r l, a wholly owned subsidiary of TMD Friction Group S A, both companies are incorporated in Luxembourg.

As such the ultimate parent undertaking of TMD Friction UK Limited changed on 21 April 2009 to TMD Friction Group S A.

### **Review of business**

The Group achieved an operating profit of £6,302,000 (2008 £5,407,000) on sales of £76,121,000 (2008 £62,447,000). This operating result is after charging depreciation of tangible fixed assets and amortisation of intangible fixed assets totalling £5,616,000 (2008 £5,648,000) for the year.

The UK business experienced 22% sales growth in 2009 due to additional group demand from Germany and market share gains in the UK aftermarket, in both passenger car and commercial vehicle markets. The rail business remained largely unaffected by wider economic conditions.

The downturn on the CV relining market led to the closure of the Leeds site on 28<sup>th</sup> February 2009. The lease on the Leeds site was sold on 28<sup>th</sup> May 2009 for £525,000, the profit on the disposal was £404,000.

In June 2009, TMD Friction UK Limited repaid €80,000,000 of intercompany loans. This was financed by issuing 10 million £1 ordinary shares on 18<sup>th</sup> June 2009 with a share price of €8 per share. All of the shares were acquired by TMD Friction Holdings (Lux) S a r l who own 100% of TMD Friction UK Ltd shares. On 5<sup>th</sup> December 2009 a written resolution was passed by the shareholders to extinguish the £57,744,940 share premium account generated by the share issue, this was converted to distributable reserves. TMD Friction UK Limited had Euro denominated loans totalling €10,306,000 at 31 December 2009.

Foreign exchange gains of £14,540,000 were made in the first half of the year prior to the €80,000,000 repayment of group loans. These gains combined with the operating performance resulted in a retained profit of £19,912,000. The closing balance sheet shows net assets of £61,821,000 (2008 net liabilities £21,732,000).

### **Results and dividends**

The directors do not recommend payment of a dividend (2008 £nil). The profit for the year of £19,912,000 (2008 loss £32,610,000) will be added to reserves.

### **Research and development**

During the year, the 'gross' investment made by the Group on research and development was £414,000 (2008 £221,000).

### **Land and buildings**

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

# **TMD Friction UK Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to global demand for commercial and passenger vehicles, employee retention and the availability of raw materials.

### **Key performance indicators (KPI's)**

Given the straight forward nature of the business, the Group's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

### **Future outlook**

2009 saw the company maintain and develop strong customer relationships which delivered increases in external and intergroup sales. Further customer gains at the start of 2010 and the full year effect of market share gains in 2009 have driven expectation for further sales growth in 2010. As a result, €1.1m of additional investment was approved in January 2010 and this combined with a move to 6 day working at the Hartlepool site is expected to increase capacity by 4 million pieces per annum.

### **Directors**

The directors of the company, who held office during the year, were as follows:

M R Hartland

J Besting

S Firbank (appointed 7<sup>th</sup> September 2009)

### **Employee involvement and training**

The group 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 group will invest in the necessary training and development, which will be mutually beneficial to meet the individual's needs and objectives of the group.

The group 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.

It is the policy of the group to ensure that, whenever possible, continued employment is offered to employees who become temporarily or permanently disabled, for whom special facilities are provided. The recruitment of permanently disabled persons is a matter of concern and dependent upon the environment of employment where vacancies occur.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# **TMD Friction UK Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Statement of Directors' responsibilities (continued)**

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.

### **Auditors and disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the group's auditors are unaware. Relevant information is defined as "information needed by the group's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

### **Auditors**

The 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**



S Firbank  
Director

12<sup>th</sup> March 2010

# **TMD Friction UK Limited**

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

We have audited the financial statements of TMD Friction UK Limited for the year ended 31 December 2009 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3 & 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 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.

This report, including the opinion, 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.

### **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.

### **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 2009 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

### **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.

## **TMD Friction UK Limited**

### **Independent auditors' report to the members of TMD Friction UK 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



**Richard Bunter (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

12 March 2010



# TMD Friction UK Limited

## Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Group Turnover</b>	1	<b>76,121</b>	62,447
Cost of sales		(45,943)	(39,444)
<b>Gross profit</b>		<b>30,178</b>	23,003
Distribution costs		(3,889)	(2,934)
Administrative expenses		(19,987)	(14,662)
<b>Operating profit</b>		<b>6,302</b>	5,407
<b>Analysed as:</b>			
<b>Operating profit before exceptional items</b>		<b>10,516</b>	5,702
Exceptional items - foreign exchange loss	2	(3,843)	3,467
- restructuring	2	(371)	-
- intercompany balance write - offs	2	-	(3,762)
<b>Operating profit</b>		<b>6,302</b>	5,407
Finance income/(expense)	6	9,711	(37,174)
<b>Analysed as</b>			
Interest payable and similar charges	6	(4,829)	(7,283)
Exceptional foreign exchange gain / ( loss)	6/2	14,540	(29,891)
Other financial (expense)/income	20	(400)	200
<b>Profit/(loss) on ordinary activities before taxation</b>	2	<b>15,613</b>	(31,567)
Tax on profit/(loss) on ordinary activities	7	4,299	(1,043)
<b>Profit / (loss) for the financial year</b>	18	<b>19,912</b>	(32,610)

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

There is no difference between the loss on ordinary activities before taxation and the loss 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 2009**

	Note	2009 £'000	2008 £'000
Profit / (Loss) for the financial year		<b>19,912</b>	(32,610)
Actuarial (loss)/gain on pension scheme	20	<b>(5,700)</b>	(5,000)
Movement on deferred tax relating to pension liability	16	<b>1,596</b>	1,400
<b>Total recognised gains / (losses) relating to the year</b>	<b>19</b>	<b>15,808</b>	(36,210)

# TMD Friction UK Limited

## Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Intangible assets	8	53,030	57,169
Tangible assets	9	6,894	7,294
Investments	10	-	-
		<b>59,924</b>	<b>64,463</b>
<b>Current assets</b>			
Stock	11	5,232	5,186
Debtors	12	21,088	63,284
Cash at bank		2,337	1,298
		<b>28,657</b>	<b>69,768</b>
<b>Creditors - amounts falling due within one year</b>	13	<b>(12,339)</b>	<b>(31,113)</b>
<b>Net current assets</b>		<b>16,318</b>	<b>38,655</b>
<b>Total assets less current liabilities</b>		<b>76,242</b>	<b>103,118</b>
Creditors – amounts falling due after more than one year	14	(9,274)	(123,295)
Provisions for liabilities and charges	15	(107)	(138)
<b>Net assets/ (liabilities) excluding pension liability</b>		<b>66,861</b>	<b>(20,315)</b>
Pension liability	20	(5,040)	(1,417)
<b>Net assets/ (liabilities)</b>		<b>61,821</b>	<b>(21,732)</b>
<b>Capital and reserves</b>			
Called up equity share capital	17	60,000	50,000
Profit and loss account	18	1,821	(71,732)
<b>Total shareholders' funds/ (deficit)</b>	19	<b>61,821</b>	<b>(21,732)</b>

The financial statements on pages 7 to 31 were approved by the board of directors on 12<sup>th</sup> March 2010 and were signed on its behalf by



S Firbank  
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.

### Basis of accounting

The financial statements are prepared on the going concern basis.

### Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of TMD Friction Holdings (Lux) s a r l and is included in the consolidated financial statements of TMD Friction Group S A, 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 TMD Friction Group SA group.

### Fixed assets

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 bases 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
Plant and machinery	15 – 18 years
Tooling	3 years
Computer software	5 years
Motor vehicles	4 years

No depreciation is provided on freehold 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.

### Other intangible assets

Other intangible assets comprise licence fees paid to third parties to register aftermarket product references for or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account in the period.

Costs relating to the Regulation 90 approval of product is capitalised and amortised over a period of 5 years.

# TMD Friction UK Limited

## Accounting policies

### Other intangible assets (continued)

The recoverable amount of any of the group'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.

The group 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 delivered and services supplied to customers, excluding value added tax and trade discounts.

### Foreign currencies

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.

### 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.

### 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 group in independently administered funds.

Annual valuations are prepared by independent professionally qualified actuaries. The last full actuarial valuation was performed as at 31 May 2009. 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 expense. 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.

# **TMD Friction UK Limited**

## **Accounting policies (continued)**

### **Pensions (continued)**

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 group to the scheme.

### **Post-retirement benefits**

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

### **Deferred taxation**

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.

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009

### 1 Segmental reporting

Turnover	2009 £'000	2008 £'000
<b>Geographical analysis by destination:</b>		
UK	25,608	21,065
Europe	48,817	39,871
North America	793	195
Rest of World	903	1,316
	<b>76,121</b>	<b>62,447</b>

The group 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 2009 (continued)

### 2 Profit/ (loss) on ordinary activities before taxation

	2009 £'000	2008 £'000
Profit/ (loss) on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation charges		
- owned tangible fixed assets	1,052	1,065
- leased tangible fixed assets	11	12
Amortisation charges		
- goodwill	4368	4,366
- other intangible assets	185	205
Operating lease charges		
- plant and machinery	313	74
- other	252	211
Auditors remuneration - audit services	40	51
- non audit services	15	-
Restructuring	371	-
Exchange (gains) / losses	(10,697)	26,424
Intercompany balance write - offs	-	3,762
(Profit) / Loss on disposal of fixed assets	(404)	109

### Exceptional items

#### Foreign exchange

The company has intercompany loans denominated in Euros. The movement in the exchange rate from €1.03 £1 at 31 December 2008 to €1.11 £1 at 31 December 2009

#### Intercompany balance write – offs

During 2008, 2 group companies went into administration causing the intercompany receivables to be impaired. These have been written off as a one off cost in the year 2008.

#### Restructuring

During the year the company incurred costs of £295,000 in relation to redundancies which included the closure of the Leeds site and £76,000 due to other closure costs of the Leeds site.



# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 3 Directors' emoluments

	2009	2008
	£'000	£'000
Emoluments (including benefits in kind)	170	251

Retirement benefits are accruing to 2 (2008: 2) directors under a defined benefit scheme

### 4 Employee costs

	2009	2008
	£'000	£'000
Wages and salaries	12,584	10,069
Social security costs	972	841
Other pension costs	587	806
<b>Staff costs</b>	<b>14,143</b>	<b>11,716</b>

### 5 Employee information

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

By activity	2009	2008
	Number	Number
Manufacturing	262	277
Administration	85	144
	<b>347</b>	<b>421</b>

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 6 Finance (income) / expense

	2009 £'000	2008 £'000
Bank loans and overdrafts	(3)	7
Interest payable on inter-company loans	4,833	7,276
Foreign exchange (gains)/ losses on loans	(14,541)	29,891
<b>Total finance (income) / expense</b>	<b>(9,711)</b>	<b>37,174</b>

### 7 Tax on profit/ (loss) on ordinary activities

	2009 £'000	2008 £'000
Current tax charge for the year	-	-
Adjustments in respect of prior periods	6	276
<b>Total current tax</b>	<b>6</b>	<b>276</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	4,480	(78)
Adjustments in respect of pensions	(187)	(1,241)
Net deferred tax credit / (charge) for the year	4,293	(1,319)
<b>Taxation on ordinary activities</b>	<b>4,299</b>	<b>(1,043)</b>

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 7 Tax on profit/ (loss) on ordinary activities (continued)

The tax assessed for the year is lower (2008 higher) from the standard rate of corporation tax in the UK 28% (2008 28.5%). The differences are explained below

	2009	2008
	£'000	£'000
Profit / (loss) on ordinary activities before taxation	15,613	(31,567)
Current tax credit on ordinary activities applying the standard rate in the UK of 28% (2008 28.5%)	4,372	(8,997)
Effects of		
Expenses not deductible for tax purposes	1,935	1,293
Capital allowances in excess of depreciation	(195)	(268)
Tax losses carried forward	-	7,972
Utilisation of tax losses	(6,112)	-
Adjustments in respect of prior periods	6	276
<b>Current tax charge for the year</b>	<b>6</b>	<b>276</b>

The change in UK Corporation Tax rates which became effective on 1 April 2008, reducing the standard rate of Corporation tax from 30% to 28%, which has led to a blended rate of 28.5% rate for that year

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 8 Intangible assets

	Goodwill	Other	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2009	86,976	1,635	88,611
Additions during the year	-	414	414
<b>At 31 December 2009</b>	<b>86,976</b>	<b>2,049</b>	<b>89,025</b>
<b>Aggregate amortisation</b>			
At 1 January 2009	30,220	1,222	31,442
Amortisation during the year	4,368	185	4,553
<b>At 31 December 2009</b>	<b>34,588</b>	<b>1,407</b>	<b>35,995</b>
<b>Net book amount at 31 December 2009</b>	<b>52,388</b>	<b>642</b>	<b>53,030</b>
Net book amount at 31 December 2008	56,756	413	57,169

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, being 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 pads life cycle in the aftermarket.

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 9 Tangible assets

	Freehold land and buildings	Long leasehold land and buildings	Plant and machinery	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2009	1,976	424	11,542	13,942
Additions	-	-	757	757
Disposals	(166)	-	(147)	(313)
<b>At 31 December 2009</b>	<b>1,810</b>	<b>424</b>	<b>12,152</b>	<b>14,386</b>
<b>Accumulated depreciation</b>				
At 1 January 2009	226	84	6,338	6,648
Charge for the year	59	11	993	1,063
Disposals	(95)	-	(124)	(219)
<b>At 31 December 2009</b>	<b>190</b>	<b>95</b>	<b>7,207</b>	<b>7,492</b>
<b>Net book value at 31 December 2009</b>	<b>1,620</b>	<b>329</b>	<b>4,945</b>	<b>6,894</b>
Net book value at 31 December 2008	1,750	340	5,204	7,294

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 10 Investments

	Interests in group undertakings £
<b>Cost</b>	
At 1 January 2009	1
Additions	-
<b>At 31 December 2009</b>	<b>1</b>

The company owns the whole of the issued share capital of the following company, which is registered in England and Wales

Name of undertaking	Principal activity	Description of Shares held
Ribbonpark Limited	Dormant	Ordinary £1 shares

### 11 Stocks

	2009 £'000	2008 £'000
Raw materials	2,403	1,775
Work in progress	144	103
Finished goods	2,685	3,308
	<b>5,232</b>	<b>5,186</b>

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 12 Debtors

	2009	2008
	£'000	£'000
Trade debtors	7,045	6,579
Amounts owed by group undertakings	6,497	53,712
Deferred tax asset (note 16)	7,201	2,721
Prepayments and accrued income	345	272
	<b>21,088</b>	<b>63,284</b>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

### 13 Creditors – amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	5,322	7,117
Amounts owed to group undertakings	2,455	21,121
Taxation and social security	834	472
Other creditors	3,009	1,513
Accruals and deferred income	719	890
	<b>12,339</b>	<b>31,113</b>

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

The company have received confirmation that the Group will not request payment of the loan for at least 12 months from signing these financial statements

## **TMD Friction UK Limited**

### **Notes to the financial statements for the year ended 31 December 2009 (continued)**

#### **14 Creditors – amounts falling due after more than one year**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Not wholly repayable within five years		
Group loan notes	<b>9,274</b>	123,295
	<b>9,274</b>	123,295
Less included in Creditors – amounts falling due within one year	-	-
	<b>9,274</b>	123,295

The loan notes are unsecured and interest is charged at the rate of 9% per annum



# **TMD Friction UK Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **15 Provisions for liabilities and charges**

	<b>Provisions for onerous lease £'000</b>
At 1 January 2009	<b>138</b>
Credited to the profit and loss account	<b>(31)</b>
<b>At 31 December 2009</b>	<b>107</b>

The provision for onerous lease comprises an outstanding lease rental on a sublet property. Full provision has been made for the residual lease commitments for the remaining period of the lease, which at 31 December 2009 is 3 years. Full provision has been made based on management's best estimate of the overall future cash flows.

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 16 Deferred taxation

The provided and unprovided amounts of deferred taxation for timing differences are as follows

	2009		2008	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Trading losses	6,733	-	2,496	11,927
Accelerated capital allowances	468	-	225	-
<b>Deferred tax asset</b>	<b>7,201</b>	<b>-</b>	<b>2,721</b>	<b>11,927</b>

A deferred tax asset has been recognised against the pension liability

The company have assessed the future budgets and forecasts and have concluded that it is now more likely that not that the losses will be recovered

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

	2009			2008		
	Pensions £'000	Other £'000	Total £'000	Pensions £'000	Other £'000	Total £'000
At 1 January	551	2,721	3,272	392	2,799	3,191
(Charged) / credited to the profit and loss account	(187)	4,480	4,293	(1,241)	(78)	(1,319)
Credited/(charged) to the statement of total recognised gains and losses	1,596	-	1,596	1,400	-	1,400
<b>Total deferred tax asset</b>	<b>1,960</b>	<b>7,201</b>	<b>9,161</b>	<b>551</b>	<b>2,721</b>	<b>3 272</b>

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 17 Called up equity share capital

	2009	2008
	£'000	£'000
<b>Authorised</b>		
100,000,000 (2008 50,000,000) ordinary shares of £1 each	100,000	50,000
<b>Allotted and fully paid</b>		
60,000,000 (2008 50,000,000) ordinary shares of £1 each	60,000	50,000

In June 2009, TMD Friction UK Limited repaid €80,000,000 of intercompany loans. This was financed by issuing 10 million £1 ordinary shares on 18<sup>th</sup> June 2009 with a share price of €8 per share. All of the shares were acquired by TMD Friction Holdings (Lux) S a r l who own 100% of TMD Friction UK Ltd shares. On 5<sup>th</sup> December 2009 a written resolution was passed by the shareholders to extinguish the £57,744,940 share premium account generated by the share issue, this was converted to distributable reserves.

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 18 Reserves

	Share Premium	Profit and loss account
	£'000	£'000
At 1 January 2009	-	(71,732)
Profit for the financial year	-	19,912
Share Premium arising on issue of shares	57,745	-
Share Premium conversion to distributable reserves	(57,745)	57,745
Actuarial loss on pension scheme	-	(5,700)
Movement on deferred tax relating to pension liability	-	1,596
<b>At 31 December 2009</b>	<b>-</b>	<b>1,821</b>

In June 2009, TMD Friction UK Limited repaid €80,000,000 of intercompany loans. This was financed by issuing 10 million £1 ordinary shares on 18<sup>th</sup> June 2009 with a share price of €8 per share. All of the shares were acquired by TMD Friction Holdings (Lux) S a r l who own 100% of TMD Friction UK Ltd shares. On 5<sup>th</sup> December 2009 a written resolution was passed by the shareholders to extinguish the £57,744,940 share premium account generated by the share issue, this was converted to distributable reserves.

### 19 Reconciliation of movements in equity shareholders' funds/ (deficit)

	2009	2008
	£'000	£'000
Total shareholders' (deficit) / funds as at 1 January	(21,732)	14,478
Total recognised gain / (loss) for the year	15,808	(36,210)
Issue of share capital	67,745	-
<b>Total shareholders' funds/ (deficit) as at 31 December</b>	<b>61,821</b>	<b>(21,732)</b>

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 20 Pension commitments

TMD Friction UK Limited sponsors the TMD Friction UK Pension Scheme which provides both defined benefit and defined contribution benefits. The defined benefit section of the scheme provided final salary benefits prior to 1 February 2004, and also has provided benefits based on career average related earnings (CARE) since that date.

The latest actuarial valuation of the defined benefits scheme was performed as at 31 May 2009 using a market led approach. The principal assumptions adopted in the valuation were that, over the long term, pensions would increase by between 2.2% and 3.1% per annum. At the date of the latest actuarial valuation at 31 May 2009, the market value of the assets of the scheme was £36,700,000 and the actuarial value of the assets was sufficient to cover 68% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The company contributes £1,600,000 (2008: £4,308,333) to the pension scheme to cover current service costs and as part of the deficit reduction plan agreed with the Trustees.

The major assumptions used by the actuary in measuring the present value of the TMD Friction UK Pension Plan's liabilities were:

	2009	2008	2007	2006	2005
Rate of increase in salaries	N/A	N/A	N/A	N/A	N/A
Rate of pre 6 April 1997 pensions	3.35	2.85	3.10	2.90	2.75
Rate of post 6 April 1997 pension	3.35	2.85	3.10	2.90	2.75
Rate of post 6 April 2003 pension	3.35	2.85	3.10	2.90	2.75
Rate of post 6 April 2008 pension	2.30	2.10	2.20	2.00	1.90
Discount rate	5.70	6.30	5.85	5.00	4.70
Inflation assumption	3.50	2.90	3.20	2.90	2.75

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 20 Pension commitments (continued)

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

	2009	2008	2009	2008
	%	%	£'000	£'000
Equities	N/A	N/A	-	-
Bonds	7.00	6.20	33,140	20,100
Diversified growth fund	5.70	6.20	13,840	11,500
Other	0.50	2.00	220	10,600
Total market value of scheme assets			47,200	42,200
Present value of scheme liabilities			(54,200)	(44,168)
Deficit in the scheme			(7,000)	(1,968)
Related deferred tax asset			1,960	551
<b>Net pension liability</b>			<b>(5,040)</b>	<b>(1,417)</b>

Analysis of the amounts charged to the profit and loss account	2009	2008
	£'000	£'000
<b>Charged to operating profit:</b>		
Current service cost	300	300
Curtailment gains	-	-
<b>Net charged to operating profit</b>	<b>300</b>	<b>300</b>
<b>Charged to other financial expense :</b>		
Expected return on pension scheme assets	(2,300)	(2,800)
Interest on pension scheme liabilities	2,700	2,600
<b>Finance costs / (income)</b>	<b>400</b>	<b>(200)</b>

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 £321,000 (2008: £326,000).

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 20 Pension commitments (continued)

Statement of total recognised gains and losses	2009	2008
	£'000	£'000
Actual return less expected return on pension scheme assets	3,500	(7,100)
Change in assumptions underlying the present value of the scheme liabilities	(9,200)	2,100
<b>Actuarial loss recognised in statement of total recognised gains and losses</b>	<b>(5,700)</b>	<b>(5,000)</b>

Movement in deficit during the year	2009	2008
	£'000	£'000
Deficit in scheme at beginning of the year	(1,968)	(1,400)
Movement in year		
Current service cost	(300)	(300)
Contributions paid	1,368	4,532
Other finance (costs) / income	(400)	200
Actuarial loss	(5,700)	(5,000)
<b>Deficit in scheme at end of the year</b>	<b>(7,000)</b>	<b>(1,968)</b>

Experience gains and losses for the year to 31 December	2009	2008	2007	2006	2005
<b>Difference between expected and actual return</b>					
Amount (£'000)	3,500	(7,100)	300	1,300	3,431
Percentage of scheme assets	7.4%	16.8%	0.6%	3.2%	9.3%
<b>Experience gains on scheme liabilities:</b>					
Amount (£'000)	-	-	-	3,200	(5,800)
Percentage of the present value of the scheme liabilities	-	-	-	6.1%	(10.5)%
<b>Total included in statement of total recognised</b>					
Amount (£'000)	(5,700)	(5,000)	6,500	5,700	(2,369)
Percentage of the present value of the scheme liabilities	10.5%	11.3%	14.2%	10.8%	(4.3)%

# TMD Friction UK Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 20 Pension commitments (continued)

The mortality tables used as at 31 December 2009 were the PNA00 year of birth standard tables rated at 125% for male members and 115% 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

	2009	2008
Longevity at age 60 for current pensioners		
– Men	26.6	26.5
– Women	30.1	29.9
Longevity at age 60 for future pensioners		
– Men	28.3	28.2
– Women	31.6	31.5

#### Sensitivity analysis of scheme liabilities

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

	Change in assumption	Impact on scheme liabilities
Discount rate	0.1%	£1.2m
Rate of inflation	0.1%	£0.9m

### 21 Financial commitments

At 31 December 2009 the group had annual commitments under non-cancellable operating leases expiring as follows

	2009		2008	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	-	159	5
Between two and five years	232	322	49	284
After five years	20	-	20	-
	252	322	228	289



# **TMD Friction UK Limited**

## **Notes to the financial statements for the year ended 31 December 2009 (continued)**

### **22 Ultimate parent undertaking**

On 8 December 2009, the principal German subsidiaries of the TMD Friction Group, including TMD Friction UK Limited's immediate parent undertaking, TMD Friction GmbH, filed for administration in the district court of Cologne, Germany. On 21 April 2009, Pamplona Capital Management completed the purchase of the assets of the insolvent German subsidiaries of the TMD Friction Group from the Administrator. The assets purchased included non-German subsidiaries of the TMD Friction Group, including the shares of TMD Friction UK Limited, which are now owned by TMD Friction Holdings S a r l , a wholly owned subsidiary of TMD Friction Group S A , both companies are incorporated in Luxembourg.

As such the ultimate parent undertaking of TMD Friction UK Limited changed on 21 April 2009 to TMD Friction Group S A. TMD Friction Group S A is the holding company of the Group. Since 21 April 2009 the Group has been controlled by Pamplona Capital Partners II, L P , a limited partnership incorporated and registered in the Cayman Islands. The directors consider Pamplona Capital Partners II, L P to be the controlling party by virtue of its 90% ownership of the share capital of TMD Friction Group S A.

TMD Friction Group S A is the largest and smallest group that consolidate these financial statements. The TMD Friction Group S A accounts are available from The secretary, 68-70 Boulevard de la Petrusse, Luxembourg.

### **23 Related Party Transactions**

Details of transactions with entities that are part of the TMD Group have not been disclosed as permitted by FRS 8.