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Unipart Group of Companies Limited  
Annual Report 2010



**UNIPART**  
**GROUP**

This publication comprises the full Annual Report and Accounts of Unipart Group of Companies Limited for 2010, prepared in accordance with the Companies Act 2006 and United Kingdom Accounting Standards, and includes the Chairman's statement, the Chief Executive's review, the Financial review, the Directors' report, the Financial statements and the Independent Auditors' report for the year ended 31 December 2010

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## Chairman's Statement

I am pleased to report that the Group has made a profit before interest and tax reported at £9.5m in 2010, an improvement from a profit before interest and tax for continuing operations of £4.9m in 2009. The Group provides an extensive range of logistics solutions to a wide portfolio of customers stretching across diverse market sectors and is increasingly entering into new territories around the globe.

The reported increase in profitability this year reflects the benefits from utilising The Unipart Way to continually add value and streamline processes for all our customers, with whom we aim to develop long-term and mutually beneficial partnerships. As well as being renowned for this excellence in service, the Group has also invested in new client relationships to provide a platform from which to grow in the years to come.

Overall net debt has been maintained at a similar level to 2009 and is at £19.8m at the year end (2009 - £20.2m), reflecting investments made during the year and the focus on controlling cash and working capital resources. The Group has long-term banking facilities that are secured until 2013 and continues to maintain significant borrowing headroom for future investments. The Board is not proposing a dividend for the year.

The Group has made a profit on ordinary activities after tax of £3.8m for the year (2009 - £5.3m loss) demonstrating the return to profitability following the detrimental exceptional items in 2009. The Group has responded well to the pressures of the recession in recent years, benefiting from the diversity of its customer base.

Since the recession the Group's pension schemes have been negatively impacted by market turmoil and the reported profitability and net asset position of the Group continue to demonstrate the detrimental impact of the depressed markets. However, some improvement has been seen in 2010, resulting in a decrease in the defined benefit liability from £103.5m to £75.0m. The net assets of the Group (prior to the net pension deficit) are £119.7m (2009 - £119.7m), reducing to £44.7m (2009 - £16.2m) after the pension deficit. The discounted future liabilities of the schemes remain high but the assets of the scheme have performed well in the year, increasing significantly to reduce the deficit. The Group has continued to make additional pension contributions in line with the long-term recovery plan agreed with the trustees of the schemes.

The Group continues to win significant new business with both new and existing customers and has extended its reach into previously untapped markets both in the UK and internationally in recent years. This year has seen entry into the developing markets of Korea and India as the Group helps customers to extend their international presence. The rail, technology, retail, health and infrastructure markets are key for the Group and 2010 has seen the Group make strong inroads in providing new and innovative solutions in these markets, particularly in technology where the exceptional relationships already developed are paving the way for new customers to benefit from the knowledge and skills we have gained in this area. Going forward into 2011, the Group will extend its customer base and the wide range of solutions already provided to customers in order to grow the business and performance in the future.

Following investment made in the systems and processes in the UK branch network in recent years, further investment has been made in accelerating the reorganisation of the network in 2010, with particular focus on the implementation of The Unipart Way. The Group has worked hard in the year to extend the use of The Unipart Way in all areas of its operations and these tools and techniques are now used extensively in the UK branch network. Significant competitive advantage has been achieved by the Group using this philosophy to achieve continuous improvement, service quality and heightened levels of employee and customer engagement. The rewards of focusing on The Unipart Way to deploy the talents of employees in the optimum way are now being seen through increased sales and efficiency gains within the branch network and it is expected that the full year effect will help to grow this side of the business further in 2011.

The Board would like to extend its gratitude to all our people, whose commitment and enthusiasm inspire the strong customer relationships and excellent customer service that form the basis of our brand.

## Chief Executive's Review

2010 has been an exciting year for the Group, with some sectors starting to see recovery in the market conditions aiding continued progress in our aim to become the "Ultimate Logistics Partner". All areas of the Group demonstrate how our passion for operational excellence and continuous improvement develops and expands our relationships with new and existing customers.

The Group works in partnership with its customers to design, develop, implement and operate solutions in the distribution and logistics market across the whole spectrum of the supply chain. Services include initial procurement, inventory warehousing and management, deliveries to business and retail customers, complex reverse logistics support as well as full financial control and reporting. The products and services are supplied either through the management of customers' supply chains or the distribution of products through the UK based branch network and worldwide warehousing structures. At all times the Group's objective is to offer an unrivalled level of operational excellence driven by a deep and individual understanding of its customers.

The Unipart Way is a world class body of knowledge that is key to gaining deep engagement with our colleagues and customers. The Group's philosophy of working is focused on using this set of tools and techniques to continually improve processes and performance through a common knowledge management system. Using this comprehensive architecture provides the fundamental building blocks for all the Group's functions across all supply chain activities, all customer market sectors and within internal support functions, allowing a consistent way of working to enable the optimal deployment and development of the Group's employees. This management system enables the Group to improve faster and more efficiently than its competitors, and is the cornerstone of Unipart's long-term competitive advantage. It has been embraced throughout the Group and its benefits are being increasingly recognised by major global companies in the external business environment. Focused implementation of The Unipart Way in the UK branch network has been key to the sales growth seen in the latter part of the year and it is expected that the full year impact in 2011 will demonstrate the significant effect these techniques have had on improving efficiency and allowing employees to be more focused on relationship building with customers.

Engaging employees has been at the heart of the business for over thirty years and forms the central idea behind the Group philosophy and The Unipart Way. Developing the talent of all employees is crucial to achieving competitive advantage through operational excellence. The Group continues to focus on training its people in The Unipart Way tools and techniques, giving them the confidence to solve problems and improve their personal and team performance. An exceptional body of knowledge has been developed and rolled out to key employees as part of the customer intimacy strategy in order to help them to understand the real and perceived needs of our customers better than anyone else and to serve them better than anyone else. Using the Group-wide product map they can connect the wide variety of solutions that the Group can provide or create in order to serve our customers better.

The 'Gate to Great' development framework enables us to nurture the skills and talents of all employees and harness their potential across the Group. The contribution of employees in delivering outstanding personal customer service is recognised through the Mark In Action award scheme. The Mark In Action award is only presented after a thorough nomination and review process by a select panel of external judges. In 2010, 19 awards were granted, bringing the total number of awards presented since the programme began in 1988 to 2,540 at 31 December 2010.

Unipart is proud of the exceptional quality and commitment of employees at every level in the Group, enabling us to achieve our success through exceptional service. I want to take this opportunity to thank all of our people for all their outstanding work and dedication throughout the year.

## Operating review

The profit before interest and tax for the year was £9.5m (2009 – continuing operations £4.9m). This result demonstrates the resilience of the Group despite the continued tough market conditions and the continued profitability is testament to the flexibility of our diverse range of solutions.

The Group ended the year with a net borrowings position of £19.8m compared with £20.2m at the end of 2009. A net cash inflow before financing for the year has been achieved of £0.3m despite the investments made in reorganising and improving service quality within the UK branch network.

The Group reports an overall profit on ordinary activities after tax of £3.8m (2009 - £5.3m loss), a significant result which shows the continued growth of the business and the strength of our customer relationships.

The Group operates primarily in the distribution and logistics market, either managing customers' supply chains or selling products directly to the customer through its warehouses and branch networks. The Group supplies its services to a diverse range of sectors including Automotive, Technology, Retail, Rail, Defence, Health, Utilities, Leisure and Manufacturing which require solutions in the supply chain and logistics market. The nature of these customer market sectors does not significantly affect the type and breadth of the Group's services provided. The main market sectors of the Group's customers are considered in more detail below.

#### **Automotive**

Through the UK based branch network and the European distribution operations, the Group provides focused expertise and knowledge of logistics, parts distribution and supply chain solutions to the independent motor trade, national fast fit, roadside assistance, garage forecourt retail and commercial vehicle markets. The Group represents the only business genuinely capable of providing a national proposition to all of these markets through its network of branches.

The automotive industry has faced significant ongoing challenges in 2010 as a result of the economic downturn. In response to this the Group has made substantial investments in improving the efficiency of the branch network and its effectiveness in servicing the needs of the growing customer base. The branch optimisation programme has continued in 2010 resulting in improved buildings, locations and inventory enabling the Company to better serve the customer base. Within the branches a large scale enablement programme was implemented to fully engage all branch employees in the tools and techniques of The Unipart Way, with simplified consistent processes, with hands-on coaching and dedicated supported training programmes. This project has been complemented by the new IT system implemented in 2009, with the efficiency gains resulting in a cultural step change in customer service and focus. The efficiency gains delivered by the implementation of The Unipart Way into the branches have provided the platform for further focus on relationship building with customers to drive further sales growth.

A large scale investment in new products and range profiling has removed older stock from the network and replaced it with an expanded range focused to customer needs. The supply chain has seen continual improvement with the expanded distribution centre and daily delivery to branches further enabling the optimum availability for customers.

Investment is ongoing in 2011 to build on the achievements of 2010, continually improving the business in its goal to be the best trade partner.

Despite the continued effect of the recession a number of the Group's automotive clients have performed well during the year. The world class levels of performance provided by the Group have helped partnerships with key suppliers and customers to flourish, with the use of The Unipart Way throughout the business helping to drive cost reductions and support partners worldwide. Unipart has continued to grow its partnership with Jaguar Land Rover, supporting the launch of Jaguar's XJ flagship vehicle during 2010, and establishing logistics centres in Beijing and Korea. Unipart is also proud to have been awarded the contract to support Jaguar Land Rover's parent, Tata Motors, in providing logistics support for its new Nano vehicle in India. In line with our strategy for growing our presence in emerging markets, we have further consolidated our position in China by opening a third logistics facility in the country and we have established operations in South Korea and India to support Jaguar and Land Rover in these fast developing markets. Services in the UK have also been expanded to meet customer needs in the areas of packaging and sub-assembly.

The European and US distribution operations, servicing automotive crash repair and truck parts markets, have performed well in both existing products and the establishment of new lines in their respective sectors despite difficult economic conditions. Investments continue to benefit the flexibility of these operations to stimulate further growth.

#### **Technology**

2010 has seen a very successful year for the Group which has strengthened and extended relationships in the Technology sector, in particular growing the repairs offering to several major clients.

The BSKyB Set Top Box Repair Centre opened in January 2010 and the innovative automated testing system is now live. This is the first successful implementation of this technology in the world. Unipart was named as an integral part of the landmark achievement of 10 million Sky customers that was achieved in October. The repairs service has also been developed with several technology companies. A growing partnership has developed with Virgin mobile with the Group now running its repair, returns and associated call centre work. Virgin is the first customer to go live with Universe, an innovative new remote diagnostics tool for use online and by retail stores and call centres. This tool prevents unnecessary repairs being sent to the repair centre and resolves issues remotely, therefore improving customer satisfaction. Universe will be offered to other customers through 2011.

The Unipart Way has also enabled growth of the technology recycling business and transformation of services to Vodafone, with several new initiatives improving the end-customer experience. The knowledge and customer relationships achieved in the last few years of rapid growth will form the platform for further growth of services in new sectors and territories in 2011.

#### **Retail**

During 2010 the effects of the recession have continued to impact the retail and consumer markets, highlighting the importance of The Unipart Way in driving efficiency savings in its operations. Several key contracts have seen notable growth in 2010 with excellent performance and advancements on the ASOS, Kimberly-Clark and Waterstone's contracts.

Homebase, which occupies half of the Cowley flagship distribution centre, has announced that it is to extend its partnership with the Group for a ground-breaking twelve years. Play.com has also awarded additional business to Unipart with the Group now running the returns and PlayTrade operations for this customer.

The market footprint in the USA has also been extended through supporting overseas expansion plans, providing quick and cost effective logistics solutions from our American facility based in Atlanta.

#### **Rail**

The Group continues to provide full spectrum logistics including product procurement and distribution services across a significant proportion of the UK rail market and has a growing presence abroad. As well as providing customers with solutions to a complex supply-chain the Group also offers a comprehensive product reconditioning, repair and manufacturing operation and provides consultancy direct to the rail industry. The Group is also increasing the level of procurement services it provides to clients.

In the traction and rolling stock market, which services the Train and Freight Operating Companies for aftermarket parts, as well as vehicle owners and builders, the market remains fairly stable as the running of train services has been little impacted by the recession. With continued excellent business retention levels, including several important contracts secured in 2010 and new business wins, the core operations have held up well.

In the infrastructure market the Group has continued to support Network Rail directly and also indirectly through the contractors appointed by Network Rail. The project and renewals market has continued to be at lower levels of expenditure in our product ranges in the year than prior to the recession with the go/no go decision on projects taking a longer as Network Rail strives to achieve its cost reduction targets. We are winning a good share of the work that is available.

Outsourced procurement services have been further developed in the year, one example of this being a new contract with the North West Aerospace Alliance. In addition, the reconditioning, repair and manufacturing operations increased order books as well as improving efficiency in 2010.

The Group continues to focus on its strategy to grow internationally with permanent representation in Australasia, Western Europe and North America as well as appointing an increasing number of business partners. An expanding range of products and services is being sold in each of these markets and this progress is expected to continue in 2011.

#### **Manufacturing**

The Group is a major supplier of fuel and emissions systems to UK vehicle manufacturers through its joint venture operations of UEES (with Eberspächer GmbH) and KUL (with Kautex Textron Inc). Many of the components we supply are central to our customer's achievements of reduced emissions and improved fuel economy.

After overcoming the many challenges of 2009 posed by severe cutbacks to manufacturing output across all of its sectors, the operations experienced a rapid increase in volumes from vehicle manufacturers in 2010 as they raced to meet pent-up customer demand, partly driven by new model introductions. In fact, output for these customers reached an all-time record in 2010. Through the flexibility and agility of its processes and people, the Group was able to ensure that all of its customers received the level of outstanding customer service that Unipart is renowned for.

Following the successful integration of strategic acquisitions over the previous two years, UEES has developed new opportunities with vehicle manufacturers to provide a full manufacturing service across all product groups and is poised for rapid growth.

KUL consolidated its position as the leading supplier of HDPE plastic fuel tanks in the UK by securing long-term relationships with major customers. A number of key nominations for new models have been

secured this year. In 2010 more fuel tanks were produced by KUL than in any other year in its history and secured investment to further increase capacity by 25% in order to meet demand generated by new business already secured.

Through other manufacturing and service operations in the UK, US and Middle East, the Group also designs, builds, repairs and services a wide range of heat exchangers and pressure vessels for a wide range of sectors including motor sport and F1, automotive, rail, industrial and power generation. By designing and building innovative solutions, the Group helped clients to increase output, reduce operating costs and extend plant life. It continues to work closely with major players in the nuclear industry to be a provider to the recently announced build programme for the expansion of nuclear generators in the UK.

#### **Business Services**

The Group's consultancy operations provide supply chain and lean consultancy solutions to both new and existing customers through leverage of The Unipart Way skills and knowledge. The consultancy market continues to be depressed, especially in the public sector while the impact of the change in Government continues to be assessed. However, despite external market conditions, the Group continues to focus on delivering key imperatives in preparation for market recovery and growth in 2011.

Further to the reputation gained by the Group by supporting HMRC's Pacesetter programme, Unipart was invited to support the Cabinet Office in its lean procurement programme, in conjunction with HMRC. This work is receiving exceptional feedback and creates a strong base for pan-Government opportunities for the future.

Success has also been achieved in the Health, Finance and Banking sectors, continuing to extend existing relationships and signing new long term partnership agreements with both the Countess of Chester Hospital Trust and RBS Group. The support offered by the consultancy solutions also aids the rest of the business in delivering unique solutions to customers across many diverse sectors.

#### **Corporate Social Responsibility**

After three years at Gold level, in 2010 the Group was awarded Platinum status in Business in the Community's (BiTC) corporate responsibility index, the UK's leading benchmark for responsible businesses. Across the Group thousands of people are involved in initiatives to reduce energy consumption, assist in local community projects and work both up and down our supply chain to improve value for our customers in a socially responsible manner. This award recognises the commitment shown by the Group to achieving improvements in all aspects of Corporate Responsibility, which is firmly embedded in our value set.

Unipart continues its support for the InspiEd project providing educational and vocational training to permanently excluded pupils from the local area and offering work experience to homeless people in Oxford with the potential for ongoing employment. It is also strongly focused on reducing the Group's environmental impact. This focus was recognised in 2010 when the Group was awarded the Carbon Trust Standard, a mark of excellence which recognises organisations at the forefront on tackling climate change. Unipart received the award for demonstrating an ongoing commitment to measuring, managing and reducing its carbon emissions. The Group has monitored our carbon footprint for the past three years and implemented coordinated energy saving initiatives to reduce it by 8% across our major sites.

#### **Dividends**

The Board is not proposing a dividend for the year, but further investments are being made to consolidate the Group's position and to enable the Group to continue to develop and grow the business as opportunities arise in the forthcoming year.

#### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. A summary of the key business risks affecting the Group is set out below.

##### **(a) Competition**

Across the various areas of its logistics services, the Group operates in a highly competitive market which applies pressure to the sales and margins that can be achieved. Through the thorough application of The Unipart Way, the Group seeks to differentiate itself from its competitors by offering superior levels of quality, service and availability to its customers. The Group also differentiates itself through the broad spectrum of supply chain solutions it can provide and tailor for its customers.

**(b) Customer contracts**

Over a number of years, the Group has developed a significant number of long-term partnerships with its clients, with both sides investing in the relationship for mutual benefit. As a result, the loss of any major clients would represent a risk to the Group. However, this risk is mitigated through continued diversification with new clients, close client management at various levels and long-term contractual relationships. The Group manages varying degrees of its clients' supply chains including holding significant levels of inventory at the Group's worldwide warehouses. Through tight controls and continuous improvement processes, the Group minimises the risk of loss of its own or clients' inventory.

**(c) Pension deficit**

The Group's risks in the defined benefit schemes remain the exposure to external factors such as discount rates, market returns and mortality rates as these factors can have a significant impact on the Group's pension schemes' financial position. The risks in relation to its defined benefit schemes have historically been reduced following the successful transition to a defined contribution scheme for a significant proportion of the employees and significant pension contributions have been made.

**(d) Global recession**

In recent years the recession has had a pervasive effect on the economy as a whole and on the automotive market in particular. The Group is well diversified in both the products and markets it operates in and also in the long-term customer relationships it has developed, therefore the risk it is exposed to is reduced. In addition, having secured long-term funding arrangements, the Group continues to maintain significant banking headroom for future investments.



## Financial Review

### Financial highlights

- Operating profit £8.0m (2009 - £4.9m)
- Profit before interest and tax of £9.5m (2009 – continuing operations - profit £4.9m)
- Profit before tax of £6.9m (2009 – loss £5.9m)
- Group profit after tax of £3.8m (2009 - £5.3m loss)
- Net assets of £119.7m (2009 - £119.7m) prior to net pension deficit
- Total net assets at the year end of £44.7m (2009 - £16.2m) reflecting the impact of the decrease in pension deficit from £103.5m in 2009 to £75.0m in 2010
- Net debt at the end of the year of £19.8m (2009 - £20.2m) reflecting a cash inflow for the year offset by non-cash movements

Summary Group profit and loss account				
	2010 Total	Continuing-Discontinued operations operations		2009 Total
Year ended 31 December	£m	£m	£m	£m
Turnover	1,129.9	1,085.7	-	1,085.7
Less: share of joint ventures and associates	(68.4)	(50.9)	-	(50.9)
<b>Group turnover</b>	<b>1,061.5</b>	<b>1,034.8</b>	-	<b>1,034.8</b>
Operating profit before goodwill amortisation and exceptional items	26.7	16.5	-	6.5
Goodwill and other intangibles amortisation	(1.6)	(1.6)	-	(1.6)
Share of operating profit in joint ventures and associates	2.8	1.6	-	1.6
Operating exceptional items	-	(1.6)	-	(1.6)
<b>Total operating profit</b>	<b>28.0</b>	<b>14.9</b>	-	<b>4.9</b>
Super exceptional items	(1.6)	-	(6.1)	(6.1)
<b>Profit/(loss) before interest and taxation</b>	<b>9.5</b>	<b>14.9</b>	<b>(6.1)</b>	<b>(1.2)</b>
Total net interest payable	(3.0)	-	-	(2.4)
Net other finance credit/(charge)	0.4	-	-	(2.3)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>6.9</b>	-	-	<b>(5.9)</b>
Tax charge/(credit)	(3.1)	-	-	0.6
<b>Profit/(loss) on ordinary activities after tax</b>	<b>3.8</b>	-	-	<b>(5.3)</b>
Minority interests	(0.5)	-	-	(0.3)
<b>Profit/(loss) for the financial year</b>	<b>3.3</b>	-	-	<b>(5.6)</b>
Summary Group balance sheet				
	2010 £m	2009 £m		
At 31 December				
Fixed assets	71.2	73.5		
Other net current assets	109.4	107.4		
Net debt	(19.8)	(20.2)		
Corporation tax, deferred tax, other taxes and social security costs	5.0	9.1		
Other creditors and provisions for liabilities	(46.1)	(50.1)		
<b>Total net assets prior to pension deficit</b>	<b>119.7</b>	<b>119.7</b>		
<b>Net pension liabilities</b>	<b>(75.0)</b>	<b>(103.5)</b>		
<b>Total net assets</b>	<b>44.7</b>	<b>16.2</b>		
Summary Group cash flow				
Year ended 31 December	2010 £m	2009 £m		
Operating profit before interest, tax, depreciation and amortisation	14.3	10.3		
Working capital	(2.3)	17.0		
Dividends received from joint ventures	0.1	0.2		
Interest/tax paid	(4.3)	(3.3)		
Pension cost/other	(3.1)	(5.1)		
Fixed asset receipts	2.6	2.6		
Capital expenditure	(7.0)	(9.5)		
<b>Free cashflow</b>	<b>0.3</b>	<b>12.2</b>		
Acquisitions and disposals	-	0.7		
<b>Net cashflow before use of liquid resources and financing</b>	<b>0.3</b>	<b>12.9</b>		
Non-cash movements and other items	0.1	(0.8)		
<b>Movement in net debt</b>	<b>0.4</b>	<b>12.1</b>		

### Turnover

Turnover of £1,061.5m, excluding our share of joint ventures and associate, has increased by £26.7m (2009 – £1,034.8)

### **Profit for the year**

Operating profit is reported of £8.0m (2009 - £4.9m) which has increased significantly from the prior year. In addition, the Group has recognised £1.5m profit on disposal of fixed assets which results from the sale of freehold and leasehold properties. The resulting profit before interest and tax of £9.5m (2009 continuing operations - £4.9m) reflects continued focus on cost control and efficiency throughout the business.

The Group reports a profit before tax for the year of £6.9m (2009 - £5.9m loss). The improved operating performance in 2010 compared to the prior year has also benefited from a £1.5m profit on disposal of properties and the non-recurrence of certain exceptional items included in 2009. Additionally, the Group benefited from an other finance income credit in 2010 compared with a charge in 2009, which arose as a result of the reduction in pension asset values at the end of 2008.

Overall the Group reports a profit after tax for the financial year of £3.8m (2009 - £5.3m loss).

### **Exceptional items reported within operating profit**

There are no exceptional items reported within operating profit (2009 - £1.6m charge).

### **Exceptional item reported after operating profit**

The exceptional item reported after operating profit of £1.5m relates to the sale of freehold and leasehold properties in the year (2009 - £6.1m charge).

### **Share of joint ventures' operating profit**

The Group's share of operating profit in joint ventures of £2.1m (2009 - £0.7m) reflects the improvement in volumes for these business ventures despite and the full year impact of the cost down actions applied in the previous year.

### **Share of associate's operating profit**

Operating profit of £0.7m (2009 - £0.9m) has been generated by an overseas associate.

### **Interest and other financial income and charges**

Net interest payable for the year was £3.0m compared to £2.4m in the previous year. Interest receivable is lower due to the change in the way loans were hedged in the year and this is offset in interest payable. The underlying movement in interest is due to average borrowings through the year.

Net other finance income of £0.4m arose in the year (2009 - £2.3m charge). This reflects the net financing credit of £0.5m (2009 - £2.1m charge) that arose from the expected return of the pension schemes' assets over the interest on liabilities as prescribed by FRS 17, which is netted by the unwinding of discounting on provisions of £0.1m (2009 - £0.2m).

### **Tax**

The overall tax charge for the year is £3.1m (2009 - £0.6m credit). The tax charge has been affected by the release of some of the deferred tax asset due to the change in tax rates going forward to 27%. Additionally, the prior year credit was impacted by deferred tax recognised on the exceptional items and other timing differences.

### **Shareholders' funds**

The net assets of the Group (prior to the net pension deficit) are £119.7m (2009 - £119.7m). Total shareholders' funds at the year end of £44.7m have increased by £28.5m since the last annual report. This reflects the movement in the deficit on the pension schemes of £28.5m. As noted in the Chairman's statement, the liabilities of the schemes have remained high but assets have increased markedly, resulting in a net decrease in the deficit. The Group has a long-term funding plan agreed with the trustees of the schemes and has continued to make additional pension contributions in line with this plan.

### **Cash generation and borrowings**

The Group reports a cash inflow before financing of £0.3m (2009 - £12.9m inflow) and together with non-cash movements reports a net borrowing position at the end of the year of £19.8m compared to a position of £20.2m at the end of 2009.

The Group has the benefit of long-term borrowing facilities secured until 2013 and through close control of working capital the Group continues to maintain significant headroom under these facilities.

### **Pensions**

Future accruals to the Group's two main defined benefit schemes ceased in 2005. Since then, the Group has undertaken significant activity to address its obligations to these schemes. Following an actuarial valuation as at 31 January 2007 a Scheme Specific Funding Plan was agreed with the

Trustees and implemented The 31 January 2010 actuarial valuations and the Scheme Specific Funding Plans are in the process of being completed

The net FRS 17 pension deficit has decreased to £75.0m (2009 - £103.5m). The key factors were strong performance on assets held by the scheme despite the current economic conditions and additional contributions from the Group, as well as slightly decreased discounted liabilities. Liabilities have benefited in the year from a change in assumptions in certain pension schemes to reflect pensions increasing in line with CPI rather than RPI in line with the Government announcement in 2010.

#### **Treasury policies**

The Group's financial risks are managed centrally by Group Treasury with policies that are approved by the Board.

##### **(a) Interest rate risk**

Interest rate risk in respect of debt is reviewed on a regular basis. In order to protect against the volatility of interest charges, interest rate swaps and interest 'Caps' and 'Collars' are used for appropriate proportions of the debt.

##### **(b) Foreign currency risk**

The Group's foreign currency transaction risks mainly arise because receipts in currencies other than Sterling are greater than its payables in those currencies, principally for the US Dollar and the Euro. Hedging of net currency exposures is implemented in order to 'protect' forecast gross profits and cover short term currency exposure. The hedges are enacted through forward and spot currency contracts and options entered into by Group Treasury on the basis of trading projections.

##### **(c) Liquidity risk**

The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. In the context of the current banking environment the Group is pleased to have secured long-term banking facilities and continues to maintain strong control over working capital.

##### **(d) Counterparty risk**

The investment management of liquid funds aims to maximise the return on net funds subject to the security of the principal and the liquidity of the Group. The Group has identified counterparties of suitable credit worthiness.

The Group enters into foreign exchange and interest rate contracts as part of its normal course of trading. The resulting derivatives are not included at fair value in the Group balance sheet at 31 December 2010. The extent and fair value of these derivatives is of such a level that it does not materially affect the reported results and as a result has not been disclosed.

**Key performance indicators**

The Board uses a number of financial and non-financial key performance indicators to monitor the progress of the Group

The performance during the year for continuing operations, together with historical trend data is set out below

**(a) Availability**

The availability of product for delivery to customers is a key performance indicator across the Group. In aggregate, this statistic is not meaningful due to differing service level client requirements. Individually, this is commercially sensitive information which it would be prejudicial to disclose

**(b) Daily sales** –£4.5m (2009 – continuing operations – £4.3m)

Daily sales have increased slightly from the prior year

**(c) Return on sales** –0.6% (2009 – continuing operations – 0.5%)

Return on sales has improved from last year due to the continued focus on efficiency and cost down actions

**(d) Debtor days** – continuing operations – 40 days (2009 – 39 days)

Debtor days are largely in line with the prior year

**(e) Creditor days** – continuing operations - 43 days (2009 – 45 days)

Creditor days are also broadly in line with the prior year

**(f) Inventory turn** – continuing operations - 5.4 times (2009 – 5.5 times)

The level of inventory held at year end was higher than the prior year due to enhanced ranges of new products and continued focus on providing high levels of availability for our clients and operations

## Board of Directors

### **Lord Sheppard KCVO KT**

#### **Non-executive Chairman**

Lord Sheppard was appointed non-executive Chairman of Unipart in 1996 following 21 years as a director of Grand Metropolitan, which included positions as Group Chief Executive (1986-93) and Chairman (1987-96). Knighted in both 1990 and in 1996, and awarded a peerage in 1994, Allen Sheppard had previously spent 18 years in the motor industry in finance, sales, marketing and line management with Ford, Rootes and British Leyland.

He graduated in 1953 at the London School of Economics where he is now an honorary fellow and honorary governor. He is also Chairman of Namibian Resources plc as well as Chancellor of Middlesex University. Lord Sheppard has been a key figure in the running of the Prince's Trust and Business in the Community and is President and Founder of London First which strives to improve and promote London.

### **A J Mourgue**

#### **Group Finance Director**

Tony Mourgue was appointed Group Finance Director in 1986 having joined Unipart in 1983. Prior to that, Tony worked with Black & Decker in the UK with responsibilities in Europe, the Middle East and Africa, having qualified as a Chartered Accountant with Ernst & Young in London and Paris.

As well as managing the internal financial control of the Group, he has been responsible for executing the numerous acquisitions and disposals the Group has undertaken and has been closely involved with relationships with investors, including the original buyout, a share buy back and share transactions between institutional shareholders. He is also responsible for banking relationships and having led the process to reduce Group debt, has put into place long-term banking facilities for the Group.

### **J M Neill CBE**

#### **Chief Executive & Deputy Chairman**

John Neill was appointed Chief Executive of the Group in 1987 having led the management buyout from British Leyland. John joined Unipart in 1974, becoming Managing Director in 1977. Together with the Board members and members of the Group Executive Committee, he is responsible for the day-to-day management and overall performance of the Group.

He holds a number of key positions within the motor industry including Vice President of the Society of Motor Manufacturers and Traders (SMMT), as well as being a Board member of the SMMT Industry Forum. His other offices include being a non-executive director of Charter International plc and Rolls-Royce plc. He is also a former member of the Court of the Bank of England and has been awarded honorary Doctorates in Business Administration from several universities including Oxford Brookes, De Montfort and Middlesex.

**J D Clayton**

**Managing Director**

John Clayton manages the Group's interests in the Rail, Commercial Vehicle, Leisure and Marine sectors. He is a member of the Group Executive Committee and chairs the Group's Procurement Forum. Since joining Unipart in 1983, he has held senior financial and operational roles in the Group. John is a Council Member of the Railway Industry Association (RIA) which is the Trade Association for UK based suppliers.

In his earlier career, he qualified as a Chartered Accountant with Ernst & Young before joining Black & Decker from where he moved to Unipart.

**F W Burns**

**Managing Director**

Frank Burns manages the Group's interests across a range of sectors including Automotive, Aerospace, Defence, Technology and Retail. Frank also has Board responsibility for our joint venture Manufacturing interests along with the Group's Lean consultancy solutions. He is responsible for the implementation of The Unipart Way across the Group and the development of the Group's Expert Practitioners.

He started his career at Unipart in 1988 where he held a number of positions including specialising as the Managing Director of the Group's Manufacturing interests. In 1999, he moved into the Logistics arena and was appointed Managing Director during 2006.

**A M Vinton**

**Non-executive Director & Deputy Chairman**

Fred Vinton was appointed a director in 1998 and non-executive Deputy Chairman in 2004. He is the former Chairman of the international fund management company EP Private Equity and is currently a non-executive director of European Goldfields Limited. He is also a director of Hochschild Mining plc, a private family fund management company and several fund management companies investing in Latin America and Europe. He previously served as Chief Operating Officer at N M Rothschild & Sons and as Chief Executive responsible for the financial assets of the Bernberg Family Group.

Born in Argentina, he graduated from Harvard in Economics and spent 25 years with J P Morgan in the US, South America and, latterly, London where he was Senior Vice President responsible for banking operations and UK business from 1980-86.

**S R Johnson**

**Non-executive Director**

Having graduated from Cambridge University with an engineering degree, Steve has worked in a variety of roles and organisations including periods working in consultancy, retail and logistics. He was appointed to the Board in 2006.

Steve spent a number of years working in strategy consultancy with Bain & Company and with Kalchas before joining Asda where he performed a number of senior operational roles. After a period setting up an outsourcing business for GUS, he was appointed Chief Executive Officer at Focus DIY.

Most recently Steve was Chief Executive Officer at Woolworths Group plc.

## Directors' Report

The directors present their report together with the audited financial statements of the Company and Group for the year ended 31 December 2010

### Principal activities and business review

Unipart develops, implements and operates supply chain solutions in the distribution and logistics market in partnership with its customers in a wide range of customer sectors including Automotive, Technology, Rail, Retail and Consumer industries. Unipart's expertise and solutions cover the entire supply chain, ranging from initial procurement, warehousing and distribution to consultancy and training as well as IT and management systems and reverse logistics support. These activities and an indication of likely future developments are described in the Chairman's statement on page 1, the Chief Executive's review on pages 2 to 6 and the Financial review on pages 7 to 10, which collectively form the Business review. Principal subsidiaries, joint ventures and associates are listed in note 26.

### Profit and dividends

The Group reports a profit before interest and tax of £9.5m (2009 - continuing operations - £4.9m). The Company has not paid nor is it proposing to pay any dividends in respect of the financial year ended 31 December 2010 (2009 - £nil).

### Directors and directors' interests

The current directors served throughout the year and up to the date of signing of the report. The biographical details of the current directors are listed on pages 11 to 12. The beneficial interests of the current directors and their families in the share capital of the Company at the year end are shown below.

	Ordinary Shares (A, D and E) of ½p each	
	31 December 2010 Number	1 January 2010 Number
<b>Beneficial Holdings</b>		
Lord Sheppard	135,000	135,000
JM Neill	7,767,082	7,766,082
AJ Mourgue	1,397,324	1,397,324
JD Clayton	282,583	282,583
FW Burns	112,002	112,002
AM Vinton	275,000	275,000
SR Johnson	12,000	12,000
<b>Non-Beneficial Holdings</b>		
JM Neill	898,020	898,020
<b>Ordinary 'A' shares under option in the Company</b>	<b>31 December 2010 Number</b>	<b>1 January 2010 Number</b>
JM Neill	1,918,367	1,918,367
AJ Mourgue	1,122,449	1,122,449
JD Clayton	345,000	345,000
FW Burns	595,000	345,000

Options were granted over 250,000 shares during the year. No options were exercised or lapsed during the financial year.

There was no contract with the Company or its subsidiaries subsisting during or at the end of the year in which any director of the Company had a material interest, with the exception of an indemnity which was made available to the directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association.

### Financial risk management

The Group's operations expose it to a variety of financial risks that include the effect of changes in price risk, credit risk, liquidity risk, interest rate risk, foreign exchange rate risk and cash flow risk. The Group enters into interest rate and foreign exchange contracts to reduce the level of risk that it faces. These policies are approved by the Board and are managed centrally by the Group's treasury department. Further details of the financial risks are disclosed in the Financial review on page 9.

### Overseas branches

Details are set out in note 26 to the financial statements.

### Donations

During the year, the Group supported charities with donations of £23,200 (2009 - £15,900) of which £12,900 (2009 - £7,600) was for health and well-being purposes, £3,200 (2009 - £5,500) in respect of child welfare and youth development and £7,100 (2009 - £2,800) to other charitable purposes in support of employees in their fund-raising activities. The Group made no political donations during the year (2009 - £nil).

### Supplier payment policy

Provided there are no disputes concerning the supply of goods or services, it is the Company's and Group's normal practice to pay its suppliers within an acceptable period of time. The average number of days purchases in Group trade creditors at 31 December 2010 was 43 days (2009 - 45 days) based on continuing operations. The Company does not have any trade creditors.

## Directors' Report (continued)

### Employees

The Group continues to involve employees in the decision-making process and communicates with all employees on various areas including the economic and financial factors affecting the Group via regular briefings, on-site training, employee forums and through our in-house online and DVD programme, 'Grapevine'. Employee involvement in the Group's performance is encouraged through employee bonus and share schemes and this involvement extends to the board of trustees of the main pension scheme on which there are employee representatives.

The Group's aim for all existing employees and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

### Group Share Trust

In order to enable employees to buy shares and have an interest in the Group, a Group Share Trust was set up at the time of the original buyout in January 1987. It has independent trustees and during dealing periods it can offer to buy and sell shares. Periodically it may also participate in schemes that enable employees to acquire shares and share options. It is not considered appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the trust deeds governing the Group Share Trust which prevent the Group from having de facto control over the trust.

### Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. During the course of 2010 the Group has maintained the reduced level of net debt from 2009 and has the benefit of long-term borrowing facilities secured until 2013. The Group continues to maintain significant borrowing headroom for future investments. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

### 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 Group and Company 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 Group and of the profit or loss of the Group for that period.

In preparing those 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 or Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group 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.

### Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, under section 418(1) to (4) of the Companies Act 2006 the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he 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.

By order of the Board



M D Rimmer  
Company Secretary  
Oxford  
8 March 2011



# Independent Auditors' Report

To the members of Unipart Group of Companies Limited

We have audited the Group and parent Company financial statements (the "financial statements") of Unipart Group of Companies Limited for the year ended 31 December 2010 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group Note of Historical Cost Profits and Losses, 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 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

## 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 Group's and parent 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 Group's and the parent Company's affairs as at 31 December 2010 and of the Group's profit and cash flows 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.

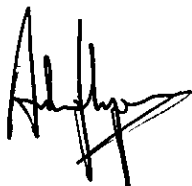
## Opinion on other matter prescribed by the Companies Act 2006

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.

## 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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.



Andrew Lyon BSc FCA (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
8 March 2011

## Group Profit and Loss account

For the year ended 31 December 2010

		2010	2009	
		Total	Continuing operations	Discontinued operations
	Notes	£m	£m	£m
<b>Turnover</b>				
Total turnover		1,129 9	1,085 7	-
Less share of joint ventures and associates		(68 4)	(50 9)	-
<b>Group turnover</b>	1	<b>1,061 5</b>	<b>1,034 8</b>	<b>-</b>
<b>Operating profit</b>				
Group operating profit before goodwill amortisation and exceptionals		6 7	6 5	-
Goodwill and other intangibles amortisation	9	(1 5)	(1 6)	-
Exceptional items	3(a)	-	(1 6)	-
Group operating profit	2	5 2	3 3	-
Share of operating profit in joint ventures		2 1	0 7	-
Share of operating profit in associate		0 7	0 9	-
<b>Total operating profit</b>		<b>8 0</b>	<b>4 9</b>	<b>-</b>
Profit on disposal of fixed assets	3(b)	1 5	-	-
Loss on disposal of businesses	3(b)	-	-	(6 1)
<b>Profit / (loss) on ordinary activities before interest and tax</b>		<b>9 5</b>	<b>4 9</b>	<b>(6 1)</b>
<b>Net interest payable</b>				
- Group		(2 9)		
- Share of joint ventures		(0 1)		
Total net interest payable	4	(3 0)		
Net other finance credit / (charge)	5	0 4		
<b>Profit / (loss) on ordinary activities before tax</b>		<b>6 9</b>		
Tax (charge) / credit on profit / (loss) on ordinary activities	6	(3 1)		
<b>Profit / (loss) on ordinary activities after tax</b>		<b>3 8</b>		
Equity minority interests	20	(0 5)		
<b>Profit / (loss) for the financial year</b>	20	<b>3 3</b>		

**Group statement of total recognised gains and losses**

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
<b>Profit / (loss) for the financial year</b>			
Group		<b>1 3</b>	(6 8)
Share of joint ventures and associates		<b>2 0</b>	1 2
Actuarial gain / (loss) recognised on Group pension schemes	20	<b>3 3</b>	(5 6)
Deferred tax relating to actuarial (gain) / loss on Group pension schemes	23(b)	<b>37 3</b>	(91 3)
Current tax relating to actuarial (gain) / loss on Group pension schemes	13, 20	<b>(11 6)</b>	24 8
Actuarial loss recognised on joint ventures' pension schemes	20	-	0 8
Revaluation of freehold land and buildings in year	20	<b>(0 1)</b>	(0 2)
Foreign exchange adjustments	10	<b>0 1</b>	3 6
	20	<b>(0 5)</b>	(4 3)
<b>Total gains and losses recognised relating to the year</b>		<b>28 5</b>	(72 2)

**Note of Group historical cost profits and losses**

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>6 9</b>	(5 9)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	20	<b>0 4</b>	0 2
Difference between historical cost profit on sale and actual profit on sale calculated on the revalued amount	20	<b>0 6</b>	1 4
<b>Historical cost profit / (loss) on ordinary activities before tax</b>		<b>7 9</b>	(4 3)
<b>Historical cost profit / (loss) for the year retained after tax and equity minority interests</b>		<b>4 3</b>	(4 0)

## Balance Sheets

As at 31 December 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Fixed assets</b>					
Intangible assets	9	1 4	2 9	-	-
Tangible assets	10	57 8	59 3	-	-
Investments in subsidiaries	11(c)	-	-	72 0	72 0
Investments in joint ventures					
Share of gross assets		25 3	23 2		
Share of gross liabilities		(17 4)	(16 8)		
Loans	11(a) (c)	7 9	6 4	5 8	5 8
Investment in associates	11(a) (c)	2 0	3 3	2 0	3 3
	11(b)	2 1	1 6	-	-
		71 2	73 5	79 8	81 1
<b>Current assets</b>					
Stock	12	142 4	136 2	-	-
Debtors - amounts falling due within one year	13 (a)	156 2	147 4	8 7	13 2
Debtors - amounts falling due after more than one year	13 (b)	26 7	28 7	1 1	0 9
Cash at bank and in hand		22 8	22 0	10 6	0 1
		348 1	334 3	20 4	14 2
Creditors - amounts falling due within one year	14	(238 9)	(226 4)	(13 0)	(4 5)
<b>Net current assets</b>		<b>109 2</b>	<b>107 9</b>	<b>7 4</b>	<b>9 7</b>
<b>Total assets less current liabilities</b>		<b>180 4</b>	<b>181 4</b>	<b>87 2</b>	<b>90 8</b>
Creditors - amounts falling due after more than one year	15	(38 5)	(36 5)	(13 2)	(13 2)
Provisions for liabilities	17	(22 2)	(25 2)	-	-
<b>Total net assets (prior to net pension deficit)</b>		<b>119 7</b>	<b>119 7</b>	<b>74 0</b>	<b>77 6</b>
Net pension deficit	23 (a)	(75 0)	(103 5)	-	-
<b>Total net assets (including net pension deficit)</b>		<b>44 7</b>	<b>16 2</b>	<b>74 0</b>	<b>77 6</b>
<b>Capital and reserves</b>					
Called up share capital	18	0 4	0 4	0 4	0 4
Share premium account	20	4 4	4 4	4 4	4 4
Capital redemption reserve	20	11 5	11 5	11 5	11 5
Revaluation reserve	20	20 9	21 8	-	-
Profit and loss reserve	20	6 9	(22 5)	57 7	61 3
<b>Total shareholders' funds</b>	21	<b>44 1</b>	<b>15 6</b>	<b>74 0</b>	<b>77 6</b>
Equity minority interests	20	0 6	0 6	-	-
<b>Capital employed</b>		<b>44 7</b>	<b>16 2</b>	<b>74 0</b>	<b>77 6</b>

Approved by the Board on 8 March 2011 and signed on its behalf by



J M'Neill  
Group Chief Executive



A J Mourgue  
Group Finance Director

Unipart Group of Companies Limited  
Registered No 1994997

The notes on pages 23 to 38 form part of these financial statements

# Group Cash Flow Statement

For the year ended 31 December 2010

		2010	2009
	Notes	£m	£m
<b>Net cash inflow from operating activities</b>	22(a)	<b>8 9</b>	<b>22 2</b>
<b>Dividends received from joint ventures and associate</b>		<b>0 1</b>	<b>0 2</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		0 3	1 1
Interest paid		(2 8)	(3 0)
Interest element of finance lease rentals		(0 2)	(0 2)
Issue costs on debt		(0 7)	-
Repayment of loan notes receivable		1 3	1 0
Dividends paid to minority shareholders		(0 5)	(0 5)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(2 6)</b>	<b>(1 6)</b>
<b>Taxation</b>		<b>(1 7)</b>	<b>(1 7)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(7 0)	(9 5)
Sale of tangible fixed assets		2 6	2 6
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(4 4)</b>	<b>(6 9)</b>
<b>Acquisitions and disposals</b>			
Disposal of businesses		-	0 7
<b>Net cash inflow for acquisitions and disposals</b>		<b>-</b>	<b>0 7</b>
<b>Cash inflow before financing</b>		<b>0 3</b>	<b>12 9</b>
<b>Financing</b>			
Decrease in debt due within a year		(1 7)	(0 1)
Capital element in finance lease payments		(0 8)	(0 7)
Increase / (decrease) in debt due after more than one year		3 2	(4 9)
<b>Net cash inflow / (outflow) from financing</b>		<b>0 7</b>	<b>(5 7)</b>
<b>Increase in cash</b>	22(b)	<b>1 0</b>	<b>7 2</b>
<b>Reconciliation of net cash flow to movement in net cash</b>			
	Notes	2010	2009
		£m	£m
<b>Increase in cash</b>	22(b)	<b>1 0</b>	<b>7 2</b>
<b>Net cash (outflow) / inflow from change in debt and lease financing</b>	22(b)	<b>(0 7)</b>	<b>5 7</b>
<b>Change in net debt resulting from cash flows</b>		<b>0 3</b>	<b>12 9</b>
<b>Non-cash movements</b>			
Currency translation differences	22(b)	(0 2)	(0 5)
Capitalisation of bank fees	22(b)	0 7	-
Amortisation of capitalised bank fees	22(b)	(0 4)	(0 3)
<b>Movement in net debt</b>		<b>0 4</b>	<b>12 1</b>
<b>Net debt at 1 January</b>	22(b)	<b>(20 2)</b>	<b>(32 3)</b>
<b>Net debt at 31 December</b>	22(b)	<b>(19 8)</b>	<b>(20 2)</b>

## Accounting Policies

A summary of the more important accounting policies adopted by the Company and the Group is given in the following paragraphs. The policies are consistent with the previous year, except where noted below.

### Basis of accounting

The financial statements have been prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements are prepared on the historical cost basis of accounting, modified to include the valuation of freehold land and buildings.

### Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all of its subsidiary undertakings and incorporate its share of the results of all joint ventures and associates via equity accounting principles. The results and fair value of the assets and liabilities of undertakings acquired are consolidated from the date the Group gains control. The results from discontinued operations are included up until the date they are disposed of. Where, in the view of the directors, the Group does not have de facto control over the related entities, these entities are excluded from the consolidation in the Group's financial statements. No profit and loss account is presented for the Company as permitted by Section 408 (3) of the Companies Act 2006. Uniform accounting policies are applied across the Group. Intragroup transactions are eliminated on consolidation.

### Revenue

Income is recognised on the invoiced and accrued value of goods and services supplied during the year, including amounts received and receivable on management fee contracts. The sale of goods are recognised at the point at which the goods are dispatched. The sales of services are recognised in the accounting period in which the services are rendered, by reference to the agreed contractual arrangements. Turnover is reported net of conditional discounts, VAT and other sales taxes. Where the Group holds properties that are sublet, this income is recognised over the period to which the sublet relates. Income derived from gain share arrangements is recognised when the benefits are agreed with customers and are certain.

### Pension costs

The Group accounts for pension and other post retirement benefits schemes in accordance with FRS 17 Revised, 'Retirement benefits'. For defined contribution schemes, contributions are charged to the group profit and loss account as payable in respect of the accounting year.

For defined benefit schemes, the amounts charged to operating profit are the current service costs, excluding the costs of servicing the investments, and gains and losses on settlements and curtailments. They are included within staff costs and charged or credited to the statutory profit and loss account headings to which they relate. Past service costs are recognised immediately in the Group profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost, the cost of servicing the investments and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Group statement of total recognised gains and losses.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

Where it is not possible to split the scheme assets and liabilities between individual subsidiary companies, the relevant subsidiary companies account for pensions on a contributions basis.

### Goodwill

Goodwill, being the excess of the fair value of purchase consideration of businesses acquired over the Group's share of the fair value of assets and liabilities acquired, is written off to the Group profit and loss account on a straight line basis over periods which represent the useful economic lives of those assets, which are all between 10 and 20 years. All goodwill arising prior to the adoption of FRS 10, 'Goodwill and intangible assets' remains written off to reserves and will be charged to the Group profit and loss account on subsequent disposal or termination of the business to which it relates.

### Intangible assets

Expenditure incurred to acquire licences to manufacture certain products are capitalised and amortised on a straight-line basis over the shorter of the estimated economic life of the manufacturing activity, the life of the licence or twenty years. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised in line with the expected sales arising from the projects.

### Tangible fixed assets

All tangible fixed assets, with the exception of freehold land and buildings, are carried at cost less depreciation and provision for impairment. The cost of purchased assets is the value of consideration given to acquire the assets and the value of other directly attributable costs which are incurred in bringing the assets to the location and condition necessary for their intended use.

Freehold land and buildings are carried at valuation (open market value for existing use). As the Group's portfolio of freehold land and buildings consists of a number of broadly similar properties, whose characteristics are such that their values are likely to be affected by the same market factors, a full valuation will be performed on a rolling basis to cover all the properties over a five-year cycle, together with an interim valuation on the remaining four-fifths of the portfolio where it is likely that there has been a material change in value.

With the exception of freehold land, which is not depreciated, depreciation on the cost or valuation of tangible fixed assets is charged evenly to write off the assets to their residual value over their estimated useful lives as follows:

Freehold and long leasehold buildings	35 to 50 years
Short leasehold buildings	the term of each lease
Plant and equipment	1 to 10 years

The Group's policy is to capitalise as tangible fixed assets computer software expenditure only in respect of major systems changes.

#### **Impairment of fixed assets and goodwill**

Fixed and intangible assets are assessed annually for impairment. Impairment provisions are calculated by comparing the net book value of fixed assets or goodwill with the higher of the net realisable value and the value in use of those assets. The value in use is calculated using forecast risk-adjusted discounted post-tax cash flows over the economic life of the related fixed asset or goodwill.

#### **Joint ventures and associates**

The Group's share of the profits or losses of joint ventures and associates are included in the Group profit and loss account on the equity accounting basis. The holding value of associates and joint ventures in the Group balance sheet is calculated by reference to the Group's equity in the net assets, goodwill and loans of such joint ventures and associates.

#### **Other investments**

Other investments are stated at cost less provision for impairment.

#### **Stock**

Stocks are stated at the lower of cost and net realisable value. Cost of finished products and work in progress includes, where appropriate, direct labour and materials and a proportion of factory overheads. Net realisable value is calculated, after taking into account provisions for obsolescence, as the actual selling price, net of trade discounts, less costs to completion and all related marketing, selling and distribution costs.

#### **Warranties**

Provision is made for the best estimate of the costs of making good under warranty products sold before the balance sheet date, and discounted where material.

#### **Onerous contracts**

When a contract becomes onerous, provision is made for the best estimate of the unavoidable losses that are expected to be incurred under the remainder of the contract term.

#### **Property provisions**

Provision is made for the best estimate of unavoidable future lease payments, on a discounted basis where material, when the lease becomes onerous, net of amounts that can be reasonably expected to be recovered from subtenants to which the respective property is expected to be sublet.

Provision is made for the best estimate of dilapidation costs, on a discounted basis, at the date the obligation arises. The unwinding of the discount is included within interest expense. The provision is net of amounts recoverable in respect of dilapidation costs for properties that have been sublet to unrelated third parties.

#### **Deferred tax**

Deferred tax is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. A deferred tax liability is recognised if transactions or events result in the Group having an obligation to pay more tax in future periods. A deferred tax asset is only recognised where transactions or events that have occurred before the balance sheet date give the Group the right to pay less tax in future, and it is considered reasonable to forecast that there will be future profits against which the deferred tax assets can be recovered. Deferred tax balances are not discounted with the exception of deferred tax in respect of pension scheme timing differences.

#### **Share-based payments**

The fair value of share plans, where material, is recognised as an expense in the Group profit and loss account over their expected vesting periods. The fair value of share plans is determined at the date of the grant, taking into account any market based vesting conditions attached to the award. Non-market based vesting conditions are taken into account in estimating the number of awards that are likely to vest, these estimates are reviewed regularly and the expense charge adjusted accordingly.

#### **Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases where the Group acts as the lessor are presented as a receivable at an amount equal to the net investment in the lease. Rental payments received by the Group under the finance leases are apportioned between the finance charge and the reduction of the outstanding obligation.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance charge from the lease is recognised within interest receivable in each accounting period. Rentals relating to the reduction of the outstanding obligation are recognised through revenue over the term of the lease. Normal selling losses are recognised through costs of sales on inception of the lease.

For assets held under finance leases when the Group acts as a lessee, the capital element of the leasing commitment is shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the profit and loss account in proportion to the reducing capital element.

#### **Operating leases**

Operating lease rentals are charged against operating profit as incurred.

#### **Finance costs**

Costs incurred in respect of obtaining new debt instruments are capitalised and reported against the respective debt within liabilities, and amortised to the Group profit and loss account over the term of the facility.

#### **Foreign currency**

The profit and loss accounts of overseas activities are translated into Sterling at average rates of exchange. Balance sheets are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising on the retranslation at closing rates of the opening balance sheets of overseas activities, together with the year end adjustment to closing rates of profit and loss accounts translated at average rates, are taken to reserves.

Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are taken through the Group profit and loss account. Differences arising on the translation of foreign currency borrowings are taken directly to reserves where there is a corresponding exchange difference on the translation of the related net investment.

## Accounting Policies (continued)

### Significant estimation techniques

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period. Actual results could differ from those estimates. Estimates are principally used when accounting for pension costs, the valuation of freehold land and buildings, the useful economic lives of fixed and intangible assets, provisions and, in certain instances, in revenue recognition.

### Financial instruments

The Group uses various derivative financial instruments to reduce exposure of foreign exchange risks. Authorised instruments include forward currency contracts and currency options. The Group also uses interest rate swaps and options to manage its interest rate exposure.

As permitted under the Standard, the Group has not adopted FRS 23 'The effects of changes in foreign exchange rates' and therefore forward currency contracts used to hedge transaction exposures are not revalued. Transactions to hedge translation exposures are revalued and the net unrealised difference taken to trading profit. All realised gains and losses are taken to operating profit.

Currency option premia are recognised at their historical cost in the Group balance sheet as other receivables. At maturity, the option premia together with any realised foreign exchange differences on exercise, are taken to operating profit.

Interest rate option premia paid are recognised at their historical cost in the Group balance sheet as other receivables. Option premia are taken to net interest payable spread over the interest period covered by the relevant options.

Amounts payable or receivable in respect of interest rate swap agreements used to manage interest rate exposure are recognised as adjustments to periodic interest expense over the duration of the contracts.



# Notes to the Financial Statements

## 1 Segmental reporting

It is the directors' judgement that the Group operates principally in one business segment, that of distribution and logistics management

An analysis of turnover by location of external customer is as follows

	2010	2009
	£m	£m
<b>Continuing operations</b>		
United Kingdom	768.6	756.8
Other Europe	141.3	130.6
Rest of the world	151.6	147.4
Group turnover	1,061.5	1,034.8
Share of joint ventures (United Kingdom)	59.5	43.4
Share of joint venture and associate (Other Europe)	8.9	7.5
Total turnover including share of joint ventures and associate	1,129.9	1,085.7

The geographical analysis of turnover, profit / (loss) before tax and net assets by origin is as follows

	Group turnover		Profit / (loss) before tax	
	2010	2009	2010	2009
	£m	£m	£m	£m
<b>Continuing operations</b>				
United Kingdom - total excluding other finance credit / (charge)			(5.9)	(7.7)
United Kingdom - other finance credit / (charge)			0.4	(2.3)
United Kingdom	939.3	926.3	(5.5)	(10.0)
Other Europe	65.5	59.1	6.3	5.9
Rest of the world	56.7	49.4	3.4	2.9
Total from continuing operations	1,061.5	1,034.8	4.2	(1.2)
Share of joint ventures (United Kingdom)	59.5	43.4	2.0	0.4
Share of joint venture and associate (Other Europe)	8.9	7.5	0.7	1.0
Total from continuing operations (including joint ventures and associates)	1,129.9	1,085.7	6.9	0.2
Discontinued operations (United Kingdom)	-	-	-	(6.1)
	1,129.9	1,085.7	6.9	(5.9)

	Net assets	
	2010	2009
	£m	£m
<b>Total operations</b>		
United Kingdom	78.9	83.5
Other Europe	42.3	36.5
Rest of the world	16.0	16.8
	137.2	136.8
Net debt	(17.5)	(17.1)
Net pension deficit	(75.0)	(103.5)
	44.7	16.2

Within the Group's 2010 total net debt, £2.3m (2009 - £3.1m) has been allocated directly to UK operations where the debt originates

## 2 Group operating profit

	2010	2009
	Total	Total
	£m	£m
Group turnover	1,061.5	1,034.8
Cost of sales	(765.6)	(749.5)
Gross profit	295.9	285.3
Distribution costs	(194.1)	(180.2)
Administrative expenses	(96.6)	(100.2)
Exceptional item (note 3(a))	-	(1.6)
Total administrative expenses	(96.6)	(101.8)
Group operating profit	5.2	3.3

# Notes to the Financial Statements (continued)

## 2 Group operating profit (continued)

Group operating profit is stated after charging / (crediting)	2010 £m	2009 £m
Depreciation of owned tangible fixed assets	7 4	5 6
Amortisation of goodwill and other intangibles	1 5	1 6
Profit on the disposal of land and buildings	-	(0 4)
Loss on the disposal of other tangible fixed assets	0 2	0 2
Operating leases - other	23 9	24 0
- plant and machinery	10 2	10 7
Sublet income from land and buildings	(3 4)	(4 4)

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs detailed below

	2010 £m	2009 £m
<b>Audit services</b>		
Audit of Company and Group financial statements	0 1	0 1
<b>Other services to the Group</b>		
Audit of the Company's subsidiary financial statements pursuant to legislation	0 4	0 4
Taxation services	0 5	0 5
Other services	0 1	0 1

During the year the fees payable by the Group's associated pension schemes to the Group's auditors were £0 1m (2009 - £0 1m)

## 3 Exceptional items

	2010 £m	2009 £m
<b>(a) Exceptional items - recognised in arriving at operating profit</b>		
Bad debt provision (ii)	-	(1 6)
<b>(b) Exceptional items - recognised after arriving at operating profit</b>		
<b>Continuing operations</b>		
Profit on disposal of fixed assets (i)	1 5	-
	1 5	-
<b>Discontinued operations</b>		
Loss in respect of business sold in prior years (iii)	-	(6 1)
	-	(6 1)

(i) The profit on disposal of fixed assets relates to the sale of freehold and leasehold properties. Due to the availability of capital losses for tax purposes, there is no taxation charge relating to the property disposals.

(ii) The Group made a bad debt provision charge in 2009 of £1 6m to reflect the uncertainties surrounding the impact of a customer that entered administration in March 2010. This charge was allowable for tax purposes.

(iii) During 2009 a further loss on disposal of £6 1m arose in respect of costs associated with an onerous property lease following the liquidation of the subtenant business. The subtenant was a business sold by the Group in a previous year. These charges are allowable for tax purposes.

## 4 Net interest payable

	2010 Total £m	2009 Total £m
<b>Interest payable and similar charges</b>		
Bank loans and overdrafts	(2 7)	(2 8)
Share of joint ventures' interest	(0 1)	(0 2)
Finance lease interest	(0 2)	(0 2)
Amortisation of issue costs on bank facilities	(0 3)	(0 3)
	(3 3)	(3 5)
<b>Interest receivable and similar income</b>	0 3	1 1
<b>Net interest payable</b>	<b>(3 0)</b>	<b>(2 4)</b>

## Notes to the Financial Statements (continued)

<b>5 Net other finance credit / (charge)</b>	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
<b>Net finance credit / (charge) on pension schemes (note 23)</b>		
Expected return on pension scheme assets	<b>36 0</b>	30 7
Interest on pension scheme liabilities	<b>(35 5)</b>	(32 8)
	<b>0 5</b>	(2 1)
Unwinding of discounting of provisions (note 17)	<b>(0 1)</b>	(0 2)
<b>Net other finance credit / (charge)</b>	<b>0 4</b>	(2 3)

### 6 Tax on profit on ordinary activities

	<b>2010</b>	<b>2009</b>
	<b>Total</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>
<b>a) Analysis of tax charge</b>		
<b>Current tax</b>		
UK tax		
UK corporation tax on profit	<b>(0 6)</b>	0 5
Share of joint ventures' tax	<b>0 6</b>	0 3
Adjustments in respect of prior periods	<b>0 1</b>	0 1
Foreign tax		
Corporation taxes	<b>2 2</b>	2 3
<b>Total current tax charge</b>	<b>2 3</b>	3 2
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(4 2)
Effect of change in tax rate	<b>0 8</b>	-
Adjustments in respect of prior periods	-	0 4
Representing		
United Kingdom	<b>0 8</b>	(3 7)
Foreign tax	<b>(0 1)</b>	-
Share of joint ventures	<b>0 1</b>	(0 1)
<b>Total deferred tax charge / (credit)</b>	<b>0 8</b>	(3 8)
<b>Tax charge / (credit) on loss on ordinary activities</b>	<b>3 1</b>	(0 6)

### b) Factors affecting the current tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 28%	<b>2010</b>	<b>2009</b>
The differences are explained below	<b>£m</b>	<b>£m</b>
<b>Profit / (loss) on ordinary activities before tax</b>	<b>6 9</b>	(5 9)
Profit / (loss) on ordinary activities multiplied by standard rate in the UK 28% (2009 - 28%)	<b>1 9</b>	(1 7)
Effects of		
Expenses not deductible for tax purposes	<b>1 0</b>	1 1
Difference between depreciation and capital allowances	<b>1 1</b>	1 3
Other timing differences	<b>(0 2)</b>	3 0
Pension related items subject to deferred tax	<b>(1 1)</b>	-
Recognition of deferred tax previously unprovided	<b>(0 4)</b>	(0 4)
Effect of foreign taxation rates	<b>(0 1)</b>	(0 2)
Adjustments to tax charge in respect of prior periods	<b>0 1</b>	0 1
<b>Total current tax charge for the year</b>	<b>2 3</b>	3 2

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

The Group has generated significant UK capital losses from disposals in previous years. Such losses will only be available to offset UK capital profits arising in future periods, such as gains arising on the future sale of freehold properties, and it is expected to be some time before these losses are relieved. Accordingly, the Group has not recognised a deferred tax asset in respect of these losses. As a consequence, the Group does not expect to incur any significant tax charges in respect of capital gains within the foreseeable future.

Deferred tax balances have been remeasured during the year as a result of the change in the UK main corporation tax rate from 28% to 27% that was substantially enacted on 20 July 2010 and that will be effective from 1 April 2011.

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

## Notes to the Financial Statements (continued)

### 7 Employees

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Employee costs</b>				
Wages and salaries	199.1	195.7	1.8	1.8
Social security costs	19.5	18.4	0.2	0.2
Pension costs (note 23)	6.2	4.2	-	-
	<b>224.8</b>	<b>218.3</b>	<b>2.0</b>	<b>2.0</b>

	Group 2010 Number	Group 2009 Number
<b>Average monthly number of employees (including directors)</b>		
Direct production	754	777
Indirect production and warehousing	2,873	2,371
Sales, marketing and administration	4,860	5,017
	<b>8,487</b>	<b>8,165</b>

The average monthly number of employees in the Company during the year was seven (2009 - four)

### 8 Directors' emoluments

The aggregate emoluments of the directors during the year totalled £2,296,000 (2009 - £2,750,000) which includes payments to directors of £457,000 (2009 - £494,000) in lieu of the Group making contributions to the defined contribution pension scheme (a money purchase scheme). No directors (2009 - nil) accrued retirement benefits under a defined benefit scheme or under a money purchase scheme. The Group did not make any contributions to money purchase pension schemes in respect of the Company's directors during the year (2009 - £nil). The highest paid director received emoluments during the year as follows

	2010 £	2009 £
Salary, bonus and benefits in kind	641,000	810,000
Payment in lieu of Group pension contributions (see below)	189,000	207,000
Aggregate emoluments of highest paid director	<b>830,000</b>	<b>1,017,000</b>

At the end of 2005, the highest paid director gave up his rights to further accrual under a defined benefit scheme and the Group agreed to make broadly equivalent contributions under defined contribution arrangements which commenced on 1 January 2006. However, following the change in the legislation and tax regime for pensions on 6 April 2006, it could have been disadvantageous for certain directors, including the highest paid director, if the Group had continued to make contributions to their defined contribution scheme account. As a result, the Group agreed with the directors to pay them a monthly sum instead. These payments are being made at a level where the Group is in a no better or worse position than if the contributions had been made. No payments have been made in 2010 to defined contribution arrangements in respect of the highest paid director (2009 - nil).

The Chairman received fees under a contract for services of £55,600 in the year (2009 - £55,600) plus expenses. Fees of £80,000 (2009 - £102,000) were paid in the year in respect of the other two (2009 - three) non-executive directors that served during the year.

During the year, share options were granted over 250,000 shares at 45 pence per share to one director of the Company (2009 - nil). During the year no options over shares in Unipart Group of Companies Limited were exercised by the directors (2009 - none).

### 9 Intangible assets

	Goodwill £m	Licences / Other £m	Total £m
<b>Cost</b>			
At 1 January 2010	181.7	0.9	182.6
<b>At 31 December 2010</b>	<b>181.7</b>	<b>0.9</b>	<b>182.6</b>
<b>Accumulated amortisation</b>			
At 1 January 2010	179.0	0.7	179.7
Charge for the year	1.4	0.1	1.5
<b>At 31 December 2010</b>	<b>180.4</b>	<b>0.8</b>	<b>181.2</b>
<b>Net book amount</b>			
<b>At 31 December 2010</b>	<b>1.3</b>	<b>0.1</b>	<b>1.4</b>
<b>At 31 December 2009</b>	<b>2.7</b>	<b>0.2</b>	<b>2.9</b>

Included in the accumulated amortisation at 31 December 2009 and 31 December 2010 is an aggregate impairment charge from prior years of £159.2m.

## Notes to the Financial Statements (continued)

### 10 Tangible fixed assets

	Land & buildings			Plant and machinery	Total
	Freehold	Long leasehold	Short leasehold		
	£m	£m	£m	£m	£m
<b>Cost or valuation</b>					
At 1 January 2010	41.8	3.2	6.5	73.7	125.2
Additions	-	-	1.2	5.8	7.0
Disposals	(0.8)	(0.1)	(1.1)	(2.4)	(4.4)
Transfers	-	-	0.6	(0.6)	-
Exchange adjustment	(0.3)	-	-	(0.1)	(0.4)
<b>At 31 December 2010</b>	<b>40.7</b>	<b>3.1</b>	<b>7.2</b>	<b>76.4</b>	<b>127.4</b>
<b>Accumulated depreciation</b>					
At 1 January 2010	5.9	1.5	5.1	53.4	65.9
Charge for the year	0.8	0.1	0.6	5.9	7.4
Revaluation	(0.1)	-	-	-	(0.1)
Disposals	-	-	(0.9)	(2.2)	(3.1)
Exchange adjustment	(0.2)	-	-	(0.3)	(0.5)
<b>At 31 December 2010</b>	<b>6.4</b>	<b>1.6</b>	<b>4.8</b>	<b>56.8</b>	<b>69.6</b>
<b>Net book amount</b>					
<b>At 31 December 2010</b>	<b>34.3</b>	<b>1.5</b>	<b>2.4</b>	<b>19.6</b>	<b>57.8</b>
At 31 December 2009	35.9	1.7	1.4	20.3	59.3

Included within the balance of accumulated depreciation at 1 January 2010 is an amount of £2.0m relating to impairments of prior periods. The impairment charges have been made to reduce the assets of certain operations within the Group to their calculated recoverable value. No impairment charge has been made in the year (2009 - £nil). An amount of £2.0m relating to previous impairments is included within the balance of accumulated depreciation at 31 December 2010.

If the Group's freehold land and buildings had not been revalued, their net book value would have been	2010	2009
	£m	£m
Cost	21.3	21.7
Accumulated depreciation	(7.9)	(7.6)
Closing net book amount	13.4	14.1

All of the freehold land and buildings were valued as at 31 December 2005 on the basis of existing use at an aggregate value of £28.0m. At 31 December 2010 some of the portfolio of properties were revalued as part of the five-year cycle on the basis of existing use and interim valuations were performed on some of the properties giving a total aggregate value of £34.3m (2009 - £35.9m).

Certain of the freehold properties, including overseas properties, were valued by external valuers, Edwards Symmons & Partners, Carter Jonas, Harris Lamb, Thomas Merrifield and DTZ Zadelhoff, all being qualified valuers and members of the Royal Institution of Chartered Surveyors (RICS) or equivalent professional bodies in the case of the overseas valuers. The remaining properties, which consist of broadly similar properties, were valued by qualified Chartered Surveyors, being members of RICS, who are employees of the Unipart Group Property Department. The aggregate value of the valuations performed by the internal surveyors was £2.5m (2009 - £2.5m) resulting in a revaluation reserve of £0.5m (2009 - £1.2m).

All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The internal valuations were subject to review by DTZ Zadelhoff.

No deferred tax is recognised on the revaluation of fixed assets (2009 - £nil).

## Notes to the Financial Statements (continued)

### 11 Investments

#### (a) Investments in joint ventures - Group

	Share of net assets	Loans	Total
	£m	£m	£m
At 1 January 2010	6.4	3.3	9.7
Profit for the financial year	1.5	-	1.5
Repayment of loan notes receivable	-	(1.3)	(1.3)
<b>At 31 December 2010</b>	<b>7.9</b>	<b>2.0</b>	<b>9.9</b>

The Group's interests in its principal joint ventures are 50% of the ordinary shares of each of Kautex Unipart Limited, Unipart Eberspächer Exhaust Systems Limited and Van Wezel Austria GmbH. The loan is from Unipart Group of Companies Limited to Kautex Unipart Limited and interest is charged at 5% per annum. The Group provides certain administrative services to its joint ventures, the transactions being disclosed in note 25.

#### (b) Investments in associate and other investments - Group

	Associated undertaking	Other	Total
	£m	£m	£m
<b>Cost</b>			
At 1 January 2010	1.6	0.6	2.2
Share of profits retained	0.5	-	0.5
Disposals	-	(0.6)	(0.6)
<b>At 31 December 2010</b>	<b>2.1</b>	<b>-</b>	<b>2.1</b>
<b>Provisions</b>			
At 1 January 2010	-	0.6	0.6
Disposals	-	(0.6)	(0.6)
<b>At 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book amount</b>			
<b>At 31 December 2010</b>	<b>2.1</b>	<b>-</b>	<b>2.1</b>
At 31 December 2009	1.6	-	1.6

Associated undertaking represents the Group's 29% ordinary shareholding of ACI Auto Components International SRO which has been included in the consolidated financial statements using the equity method of accounting. Other investments represent an equity investment in Real Affinity plc which was written off in the year having been fully provided in a previous year.

#### (c) Investments in subsidiaries and joint ventures - Company

	Subsidiaries	Joint ventures		Total
	Shares	Shares	Loans	
	£m	£m	£m	£m
<b>Cost and net book amount</b>				
At 1 January 2010	72.0	5.8	3.3	81.1
Repayment of loan notes receivable	-	-	(1.3)	(1.3)
<b>At 31 December 2010</b>	<b>72.0</b>	<b>5.8</b>	<b>2.0</b>	<b>79.8</b>

Details of the principal undertakings in the Group and the investments of the Company are shown in note 26. During the year the Company received a repayment of £1.3m (2009 - £1.0m) in respect of loans to Kautex Unipart Limited, a joint venture company.

The directors believe that the carrying value of the investments is supported by either their underlying net assets or their value in use.

### 12 Stock

	2010	2009
	£m	£m
Raw materials and consumables	4.3	4.6
Work in progress	2.2	2.6
Finished goods and goods for resale	135.9	129.0
	<b>142.4</b>	<b>136.2</b>

## Notes to the Financial Statements (continued)

13 Debtors	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>(a) Amounts falling due within one year</b>				
Trade debtors and bills receivable	115.3	109.3	-	-
Amounts owed by Group undertakings	-	-	1.4	5.7
Amounts owed by joint ventures	1.0	0.8	-	-
Other debtors	11.4	12.6	7.3	7.1
Corporation tax	-	-	-	0.4
Amounts receivable under finance lease (ii)	0.7	0.7	-	-
Prepayments and accrued income	27.8	24.0	-	-
	<b>156.2</b>	<b>147.4</b>	<b>8.7</b>	<b>13.2</b>
<b>(b) Amounts falling due after more than one year</b>				
Deferred tax (i)	22.5	22.4	1.1	0.9
Amounts receivable under finance lease (ii)	3.8	4.5	-	-
Prepayments and accrued income	0.4	1.8	-	-
	<b>26.7</b>	<b>28.7</b>	<b>1.1</b>	<b>0.9</b>

Amounts due from Group undertakings and joint ventures are unsecured and have no fixed repayment date. Certain amounts due from Group undertakings and joint ventures bear interest.

Included in the other debtors of the Group and the Company is £7.3m owed by the Group Share Trust (2009 - £7.1m) which the Directors believe is recoverable as a result of the equity interest in the Company held by the Trust.

(i) Deferred tax	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Accelerated capital allowances	13.5	13.0	-	-
Trading losses and timing differences	9.0	9.4	1.1	0.9
Deferred tax asset included within debtors	22.5	22.4	1.1	0.9
Related deferred tax asset included within the net pension deficit (note 23)	27.7	40.2	-	-
	<b>50.2</b>	<b>62.6</b>	<b>1.1</b>	<b>0.9</b>

The Group and the Company does not recognise an asset in respect of UK capital losses generated from disposals in previous years as such losses will only be available to offset UK capital profits arising in future periods and it is expected to be some time before these losses can be relieved. In addition, the Group has not recognised an asset of £2.7m (2009 - £2.7m) in respect of trading losses of subsidiaries where it is unlikely that these losses will be utilised in the foreseeable future.

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
At 1 January	62.6	34.0	0.9	0.9
Amounts (charged) / credited to the profit and loss account	(0.8)	3.8	0.2	-
Amounts (charged) / credited to the statement of total recognised gains and losses	(11.6)	24.8	-	-
At 31 December	<b>50.2</b>	<b>62.6</b>	<b>1.1</b>	<b>0.9</b>
Representing				
Deferred tax asset included within debtors	22.5	22.4	1.1	0.9
Related deferred tax asset included within the net pension deficit (note 23)	27.7	40.2	-	-
	<b>50.2</b>	<b>62.6</b>	<b>1.1</b>	<b>0.9</b>

(ii) Amounts receivable under finance leases comprises	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Total amounts receivable</b>				
Within 1 year	0.7	0.7	-	-
Between 2 - 5 years	3.8	4.5	-	-
	<b>4.5</b>	<b>5.2</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements (continued)

### 14 Creditors amounts falling due within one year

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Bank loans and overdrafts (note 16)	3 2	4 8	-	-
Trade creditors	112 8	113 0	-	-
Amounts owing to other Group undertakings	-	-	12 4	4 4
Amounts owing to joint ventures	0 3	-	-	-
Corporation tax	0 7	0 5	-	-
Other taxes and social security costs	16 8	12 9	-	-
Other creditors	23 9	24 9	-	-
Finance leases (note 15 (i))	0 9	0 9	-	-
Accruals and deferred income	80 3	69 4	0 6	0 1
	<b>238 9</b>	<b>226 4</b>	<b>13 0</b>	<b>4 5</b>

Amounts due to Group undertakings and joint ventures are unsecured and have no fixed repayment date. Certain amounts due to Group undertakings and joint ventures bear interest.

### 15 Creditors amounts falling due after more than one year

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Bank loans (note 16)	37 1	34 3	-	-
Amounts owing to other Group undertakings	-	-	13 2	13 2
Finance leases (i)	1 4	2 2	-	-
	<b>38 5</b>	<b>36 5</b>	<b>13 2</b>	<b>13 2</b>

#### (i) Finance leases

	Group 2010 £m	Group 2009 £m
Future minimum payments under finance leases are as follows		
Within one year	0 9	1 0
In more than one year, but not more than five years	1 4	2 4
Total before finance charges	2 3	3 4
Less finance charges included above	(0 2)	(0 3)
Total due under finance leases	<b>2 1</b>	<b>3 1</b>

### 16 Borrowings

	Group 2010 £m	Group 2009 £m
<b>Amounts due within one year</b>		
Term and credit facility	3 2	4 8
<b>Amounts due after more than one year</b>		
Term and credit facility committed until 22 November 2013	17 8	22 9
Working capital facility committed until 31 December 2013	19 3	11 4
	<b>37 1</b>	<b>34 3</b>

The bank loans and overdrafts bear interest based on the base rate or LIBOR and are secured by fixed and floating charges over certain of the Group's assets. The term and credit facility is stated net of unamortised issue costs of £0.6m (2009 - £0.2m). The working capital facility is stated net of unamortised issue costs of £0.4m (2009 - £0.5m). These costs are allocated to the Group profit and loss account over the terms of the respective facilities at a constant rate.

The Group has various borrowings facilities available, the principal facility being a working capital facility of up to £102.0m which is committed until 31 December 2013. In addition, there is a term and credit facility of £10.0m at 31 December 2010, repayable at £0.8m per annum, until 22 November 2013.



## Notes to the Financial Statements (continued)

### 17 Provisions for liabilities

	Warranties £m	Property £m	Group Total £m
At 1 January 2010	0.7	24.5	25.2
Charged in the year	0.1	2.0	2.1
Utilised in the year	(0.2)	(3.4)	(3.6)
Released in the year	(0.3)	(1.1)	(1.4)
Unwinding of discount	-	(0.1)	(0.1)
<b>At 31 December 2010</b>	<b>0.3</b>	<b>21.9</b>	<b>22.2</b>

#### Warranty

The Group supplies product to customers on which it offers a warranty for a period of up to three years. The cost of warranties on sales made prior to the year end has been estimated based on past experience of warranty settlements. It is anticipated that the existing provision will be utilised within the next one to two years.

#### Property

The property provision is in respect of contractual obligations primarily in relation to onerous leases on vacant properties and in relation to dilapidations. The charge in respect of the unwinding of discounting of provisions is included in net other finance charge (note 5). These provisions are expected to be fully utilised at the end of the respective leases, which vary between 1 and 50 years.

### 18 Called up share capital

The share capital comprises 'A', 'D' and 'E' Ordinary shares of 1/4p each and each share, irrespective of class, has the same dividend entitlement and has one vote at a general meeting. On a return of capital on liquidation or otherwise, the assets of the Company available for distribution amongst shareholders shall be applied in paying pro-rata to the holders of the 'A' Ordinary shares the sum of 1/4p per share and to the holders of the 'D' Ordinary shares and the 'E' Ordinary shares the sum of 1p per share and thereafter, pro-rata to the nominal value of shares held by them.

		'A' Ordinary shares	'D' Ordinary shares	'E' Ordinary shares	Total Ordinary shares
<b>Allotted, called up and fully paid share capital (number of shares)</b>					
<b>At 31 December 2010</b>	million	<b>72.2</b>	<b>7.0</b>	<b>2.4</b>	<b>81.6</b>
At 31 December 2009	million	72.2	7.0	2.4	81.6
<b>Allotted, called up and fully paid share capital</b>					
<b>At 31 December 2010</b>	£m	<b>0.4</b>	-	-	<b>0.4</b>
At 31 December 2009	£m	0.4	-	-	0.4

The shareholders with over 5% of the issued share capital at 31 December 2010 are UGC Share Trustees Limited, Electra Private Equity Partners Scotland, UGC Pension Shareholdings Limited ("UGCPSL"), Mr JM Neill, 3i plc and Standard Life. No individual shareholder is able to exercise control and as a result, the directors do not consider there to be an ultimate controlling party.

The UGCPSL shareholding is held on behalf of the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme. The schemes retain the economic interest in the shares (so they will benefit directly from any increase in their value and will receive any dividends paid by the Company on those shares), however they do not actually hold the shares in their own names and they are not able to exercise any of the voting rights on them prior to any liquidity opportunity (as defined in an agreement between UGCPSL and the schemes).

UGCPSL is subject to contractual controls including as to how and when it exercises the voting rights attached to the shares it holds, under which it must act as required by the Board of Unipart Group of Companies Limited, and only with the approval of the Company's 'D' shareholders and the majority of the Company's institutional investors. As these arrangements prevent the Group from having de facto control over UGCPSL, it is not considered appropriate to consolidate UGCPSL in the Group's financial statements.

## Notes to the Financial Statements (continued)

### 19 Share option schemes

The Group Share Trust has granted options to employees over a number of shares which have already been issued and are owned by the Group Share Trust. It is not considered appropriate to consolidate the Group Share Trust in the Group's financial statements due to the terms of the Trust deeds governing the Group Share Trust which prevent the Group from having de facto control over the trust.

The vesting requirements associated with the share options are a combination of criteria based on financial and personal performances. The share options issued since November 2002 have all been issued at an exercise price of 45p per share and have a vesting period of 3 years and a total option length of 10 years. All options exercised are to be settled with ordinary shares of the Company.

No share-based payment charge has been recognised in relation to the options issued since November 2002 on the basis that any charge would be immaterial. At the date the options were granted, the exercise price was greater than the share valuation.

### 20 Reserves

Group	Profit and loss reserve £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Minority interests £m
At 1 January 2010	(22.5)	4.4	11.5	21.8	0.6
Profit for the financial year	3.3	-	-	-	0.5
Revaluations of freehold land and buildings in year	-	-	-	0.1	-
Transfer from revaluation reserve to profit and loss reserve	1.0	-	-	(1.0)	-
Actuarial gain recognised on pension schemes	37.3	-	-	-	-
Deferred tax relating to actuarial gain on pension schemes	(11.6)	-	-	-	-
Actuarial loss recognised on joint ventures' pension schemes	(0.1)	-	-	-	-
Foreign exchange adjustments	(0.5)	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	(0.5)
<b>At 31 December 2010</b>	<b>6.9</b>	<b>4.4</b>	<b>11.5</b>	<b>20.9</b>	<b>0.6</b>
Net pension deficit	75.0				
<b>Profit and loss reserve excluding pension deficit</b>	<b>81.9</b>				

The cumulative amount of goodwill written off directly to reserves prior to the implementation of FRS 10, 'Goodwill and intangible assets', is £17.6m (2009 - £17.6m) in respect of the acquisition of businesses.

The £1.0m transferred between the profit and loss reserve and the revaluation reserve is comprised of £0.4m additional depreciation due to the revaluation of property and £0.6m profit on sale of property in the year. In the reported result for the year, a profit of £0.2m has been realised on the sale of property when comparing proceeds to the revalued amount. Had the property not been revalued, a profit on disposal of £0.8m would have been realised and this has been shown in the note of Group historical cost profits and losses.

Company	Profit and loss reserve £m	Share premium account £m	Capital redemption reserve £m
At 1 January 2010	61.3	4.4	11.5
Loss for the year	(3.6)	-	-
<b>At 31 December 2010</b>	<b>57.7</b>	<b>4.4</b>	<b>11.5</b>

The Company has not presented its own profit and loss account as permitted by Section 408 (3) of the Companies Act 2006. The Company's loss for the financial year was £3.6m (2009 - loss of £6.5m).

### 21 Reconciliation of movements in total shareholders' funds

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Profit / (loss) for the financial year	3.3	(5.6)	(3.6)	(6.5)
Other recognised gains and losses relating to the year (net)	25.2	(66.6)	-	-
Movements in total shareholders' funds	28.5	(72.2)	(3.6)	(6.5)
At 1 January	15.6	87.8	77.6	84.1
<b>At 31 December</b>	<b>44.1</b>	<b>15.6</b>	<b>74.0</b>	<b>77.6</b>

## Notes to the Financial Statements (continued)

### 22 Notes to the cash flow statement

	2010 £m	2009 £m
<b>(a) Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	5 2	3 3
Depreciation of tangible fixed assets	7 4	5 6
Amortisation of goodwill and other intangibles	1 5	1 6
Difference between pension service charge and cash contributions	(3 1)	(5 1)
Loss / (profit) on the disposal of fixed assets	0 2	(0 2)
Movement in stocks	(6 4)	9 4
Movement in debtors	(6 8)	17 2
Movement in creditors	13 9	(10 8)
Movement in provisions	(3 0)	1 2
Net cash inflow from operating activities	8 9	22 2

	2009 £m	Cashflow £m	Non-cash movements £m	2010 £m
<b>(b) Analysis of net debt</b>				
Cash	22 0	1 0	(0 2)	22 8
Debt due within a year	(4 8)	1 7	(0 1)	(3 2)
Debt due after one year	(34 3)	(3 2)	0 4	(37 1)
Finance leases due within 1 year	(0 9)	-	-	(0 9)
Finance leases due after 1 year	(2 2)	0 8	-	(1 4)
	(42 2)	(0 7)	0 3	(42 6)
Total	(20 2)	0 3	0 1	(19 8)

Non-cash movements relate to capitalisation and amortisation of issue costs and foreign exchange movements

### 23 Pension commitments

The Group operates several pension schemes in the United Kingdom, the largest being the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme. The assets of these pension schemes are held separately from those of the Group in trustee administered funds. The schemes are principally funded defined benefit schemes. Contributions are assessed in accordance with the advice of an independent qualified actuary using the projected unit method, where applicable, and as agreed with the Trustees of the schemes. Contributions are payable in accordance with the schedules of contributions agreed with the Trustees of the pension schemes which are fixed until 2015. These schedules will be reviewed in the light of the results of the next actuarial valuations and may then be varied with the agreement of the Trustees.

With effect from 31 December 2005, the defined benefit accrual ceased in the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme and members had the option of continuing to accrue benefits under new defined contribution sections of the schemes.

Total contributions made in the year to defined contribution sections of these schemes were £3.7m (2009 - £3.7m).

The latest available formal actuarial valuations of the Unipart Group Pension Scheme and the Unipart Group Retirement Benefits Scheme were carried out as at 31 January 2007 by AON Hewitt Limited. The results of the formal actuarial valuations being carried out as at 31 January 2010 are not yet available. However the base data for the next actuarial valuation has been prepared and based on this data, the value of the schemes' liabilities have been updated by AON Hewitt Limited to assess the liabilities of the schemes at 31 December 2010 for the purposes of FRS 17. Scheme assets are stated at their market value at 31 December 2010.

## Notes to the Financial Statements (continued)

### 23 Pension commitments (continued)

The disclosures for all of the Group's defined benefit arrangements are aggregated below. Included in these numbers is one overseas defined benefit scheme but this scheme is not material to the Group totals. As with previous years, the Company has accounted for contributions into the defined benefit sections as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the schemes. The Company cannot identify its share of assets and liabilities because the two pension schemes operated by the Group are managed on a total basis with neither the liabilities nor the assets segregated between members who have worked for the Company and other Group subsidiaries which have had employees in the defined benefit sections.

In addition, key assumptions on mortality and dependants pensions have not been separately assessed. The Company will be expected to continue its contributions based on the results of the triennial actuarial valuation. The amount of such contributions will depend on the actual actuarial experience and the investment returns achieved.

The key financial and other assumptions used to calculate the scheme liabilities are	2010	2009
Rate of general increase in salaries	3.16%	3.21%
Rate of increase in pensions in payment	2.90%	3.02%
Discount rate	5.77%	5.80%
Inflation assumption	3.16%	3.21%

The principal assumptions for preparing the pension liabilities in 2010 have changed from those in 2009 as follows -

- the discount rate and inflation rate assumptions reflect market rates at the year end,
- where pension scheme rules so provide, future pension increases reflect pensions increasing in line with CPI, rather than RPI, in line with the Government announcement of 8 July 2010, and
- the rate of mortality improvement is now assumed to increase by a minimum of 0.5% per annum.

As part of the 2007 triennial valuation of the main Group schemes, a full review of mortality for scheme members was conducted and the demographic assumptions used in assessing the FRS 17 liabilities reflect this review. For these schemes, the following life expectancies have been used:

Retirement in this year for male pensioners at age 65	20.7 years
Retirement in 2025 for male pensioners at age 65	22.0 years

Consistent mortality tables for future female pensioners have been used. The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Group's UK schemes have been calculated by adjusting the standard mortality tables to reflect the characteristics of the workforce.

In line with prior years, it has been assumed that at retirement, members commute some of their pension for cash, being some three-quarters of the maximum amount of the commutable pension, based on the schemes' current commutation factors.

Minor changes in key assumptions may have a material impact on the quantum of the pension deficit.

### 23 (a) Pension commitments

The assets in the schemes and the expected rates of return were	Long-term rate of expected return	2010 £m	Long-term rate of expected return	2009 £m
Equities / Absolute return funds	8.7%	432.2	9.0%	385.8
Government bonds	4.2%	4.7	4.5%	0.8
Corporate bonds	5.2%	4.0	5.3%	56.2
Property / Infrastructure	7.2%	51.9	7.5%	46.4
Other	4.6%	44.2	4.8%	14.1
Total market value of assets		537.0		503.3
Present value of funded pension plans' liabilities		(639.6)		(646.9)
Deficit in funded plans		(102.6)		(143.6)
Liability for unfunded pension plans		(0.1)		(0.1)
Total deficit in plans		(102.7)		(143.7)
Related deferred tax asset		27.7		40.2
Net pension deficit		(75.0)		(103.5)

## Notes to the Financial Statements (continued)

### 23 (a) Pension commitments (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The movements in the present value of scheme liabilities during the year were

	2010 £m	2009 £m
Liabilities at 1 January	(646.9)	(518.6)
Current service cost	(2.5)	(2.4)
Interest cost	(35.5)	(32.8)
Contributions by members	(0.8)	(0.7)
Settlements	-	1.9
Benefits paid	25.5	29.2
Actuarial gain / (loss)	24.2	(120.1)
Members share	(3.6)	(3.4)
Liabilities at 31 December	(639.6)	(646.9)

The movements in the fair value of scheme assets in plans during the year were

	2010 £m	2009 £m
Assets at 1 January	503.3	463.3
Expected return on scheme assets	36.0	30.7
Actuarial gain	13.2	28.8
Benefits paid	(25.5)	(29.2)
Contributions by members and company	6.4	6.3
Members share	3.6	3.4
Assets at 31 December	537.0	503.3

Scheme assets include a holding of shares in the Company valued at £4.9m (2009 - £4.9m). Scheme assets do not include any property occupied by any members of the Group. The actual return on scheme assets in the year was a gain of £48.0m (2009 - gain £59.5m).

### 23 (b) Pension commitments

The performance statements include the following amounts

	2010 £m	2009 £m
<b>Amounts charged to operating profit / (loss)</b>		
Current service cost	(2.5)	(2.4)
Settlements	-	1.9
	(2.5)	(0.5)
Defined contribution schemes	(3.7)	(3.7)
Total operating charge	(6.2)	(4.2)
<b>Analysis of amount credited / (charged) to net other finance credit / (charge)</b>		
Expected return on pension scheme assets	36.0	30.7
Interest on pension scheme liabilities	(35.5)	(32.8)
Net return / (charge)	0.5	(2.1)
<b>Amounts included within the Group statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	13.2	28.8
Experience gains and losses arising on the scheme liabilities	8.3	2.1
Changes in assumptions underlying the present value of the scheme liabilities	15.8	(122.2)
Actuarial gain / (loss) recognised in the Group statement of total recognised gains and losses	37.3	(91.3)

## Notes to the Financial Statements (continued)

### 23 (b) Pension commitments (continued)

History of experience gains and losses	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	Year ended 31 December 2006 £m
Liabilities	(639 6)	(646 9)	(518 6)	(614 2)	(654 3)
Plan assets	537 0	503 3	463 3	585 6	590 3
Scheme deficit	(102 6)	(143 6)	(55 3)	(28 6)	(64 0)
Experience gains and losses on scheme assets	13 2	28 8	(137 1)	(17 8)	18 4
Experience gains and losses on scheme liabilities	8 3	2 1	(2 4)	(10 1)	3 7
Actuarial gain / (loss) recognised in the Group statement of total recognised gains and losses	37 3	(91 3)	(36 2)	23 6	32 3

### 24 Commitments

#### (a) Capital commitments

	Group 2010 £m	Group 2009 £m
Contracted as at the year end but not provided for in the financial statements	0 1	0 2
The Company had no capital commitments at 31 December 2010 (2009 - £nil)		

#### (b) Contingent liabilities and financial commitments

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Guarantees for export trading and loan facilities	5 8	6 2	3 3	3 3

Under the Group's banking arrangements, the Company, together with certain of its subsidiary undertakings, has given security, by way of fixed and floating charges over certain assets, to guarantee bank loans provided to the Group. The amount guaranteed by the Company outstanding at 31 December 2010 was £5.2m (2009 - £11.9m).

#### (c) Operating lease commitments

Group	Land and buildings 2010 £m	Land and buildings 2009 £m	Other 2010 £m	Other 2009 £m
Annual amounts payable on agreements expiring				
- within one year	2 3	1 6	4 1	4 3
- after one year but within five years	12 6	12 8	2 5	3 6
- after five years	13 6	13 9	-	-
	28 5	28 3	6 6	7 9

The Company had no operating lease commitments at 31 December 2010 (2009 - £nil)

## Notes to the Financial Statements (continued)

### 25 Related party transactions

The Group has taken the exemption available under FRS 8, 'Related party disclosures', from disclosing related party transactions between entities within the Group. The Group and its joint ventures provide certain services on behalf of each other which involve making payments on each other's behalf. During the year, the total payments made on behalf of Kautex Unipart Limited amounted to £6.5m (2009 - £6.2m) and amounts owed to the Group at 31 December 2010 were £0.2m (2009 - £0.2m) as reported in note 13(a). In addition, an amount of £2.0m was owed to the Group at 31 December 2010 under a formal loan agreement bearing interest of 5% per annum as reported in note 11(a) (2009 - £3.3m). During the year, the total payments made on behalf of Unipart Eberspächer Exhaust Systems Limited amounted to £2.3m (2009 - £2.7m) and amounts owed to the Group at 31 December 2010 were £0.8m (2009 - £0.6m) as reported in note 13(a). The total payments made by Unipart Eberspächer Exhaust Systems Limited on behalf of the Group amounted to £0.9m (2009 - £3.3m) and amounts owed to Unipart Eberspächer Exhaust Systems Limited by the Group were £0.3m (2009 - £nil).

### 26 Principal Group undertakings

Country of incorporation and  
operation

#### Subsidiary undertakings

At the year end, the Group's principal subsidiary undertakings were as set out below with those directly held by the Company being indicated by (i). Unless otherwise stated, the holdings are 100% of the voting rights and shares.

#### Distribution and logistics management

##### Europe, Middle East and Africa

Serck Services (Bahrain) EC	Bahrain
Van Wezel Autoparts NV	Belgium
Unipart NV	Belgium
E W (Holdings) Limited	England
Unipart Automotive Limited	England
Unipart Rail Limited	England
Unipart Exports Limited	England
Unipart Group Limited (i)	England
Unipart Logistics Limited	England
Unipart North America Limited	England
Unipart Rail Logistics Limited	England
Unipart Leisure and Marine Limited	England
Unipart Security Solutions Limited	England
Unipart Merchandise Limited	England
Unipart DCM Service GmbH	Germany
Van Wezel GmbH	Germany
Intertruck Deutschland GmbH	Germany
Intertruck Benelux BV	Netherlands
Van Wezel Nederland BV	Netherlands
Serck Services (Oman) LLC (49%) (ii)	Oman
UL Logistics PTY Ltd	South Africa
Unipart Services Spain, S L	Spain
Intertruck Holding Limited	UAE
Intertruck MENA L L C (ii)	UAE
Serck Services (Gulf) Limited (49%) (ii)	UAE
Serck Services Company LLC (49%) (ii)	UAE

##### Americas and Asia Pacific

Unipart Logistics PTY Limited	Australia
Unipart Services Canada Inc	Canada
Unipart Logistics (Suzhou) Trading Co., Limited	China
Unipart (Suzhou) Co., Limited	China
Unipart Kabushiki Kaisha	Japan
Unipart Services India Private Limited	India
Unipart Korea Yuhan Hoesa	Korea
U Logistics OOO	Russia
Unipart Services America Inc	USA
Serck Services Inc	USA

#### Group vehicle and property holding companies

Gresty Road 2005 Holdings Limited	England
Gresty Road Supplies Limited	England
Unipart Fleet Services Limited	England
UGC Properties Limited (i)	England

## Notes to the Financial Statements (continued)

### 26 Principal Group undertakings (continued)

Country of incorporation and operation

#### Intermediate holding companies

Unipart Rail Holdings Limited (i)

England

Gresty Road 2005 Limited (i)

England

Unipart International Holdings Limited

England

UGC Holdings BV

Netherlands

#### Joint ventures and associates

The Group's principal interests in joint ventures and associates are set out below, those held directly by the Company being indicated by (i)  
Unless otherwise stated, the holdings are 50% of the voting rights and shares

#### Distribution and logistics management

Van Wezel Austria GmbH

Austria

ACI Auto Components International SRO (29%)

Czech Republic

#### Manufacture of automotive components

Kautex Unipart Limited (i)

England

Unipart Eberspächer Exhaust Systems Limited (i)

England

(i) These companies have been treated as subsidiaries under section 1162(4) of the Companies Act 2006. The investments are held for the long term and the Group's management takes an active role in the operational and strategic management of these companies. These operations are effectively controlled by the Group with a dominant influence being exercised over their activities.

As well as those undertakings listed above, within the European Union the Group also has branches in Belgium, France, Italy, Republic of Ireland and Spain.



**Company Secretary**

M D Rimmer

**Registered office**

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Registered No 1994997

**Registrar**

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