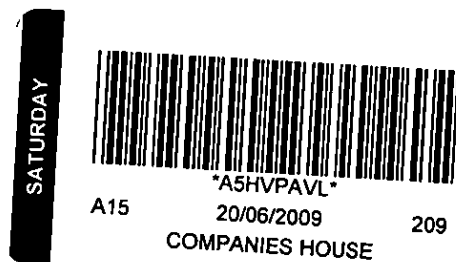


# **The Hay Hall Group Limited**

**Annual report and accounts  
for the year ended 31 December 2007**

Registered number: 3141672



**BDO Stoy Hayward**  
Chartered Accountants

**Directors' report**  
**For the year ended 31 December 2007**

The directors present their report, together with the audited financial statements for the year ended 31 December 2007.

**Principal activity and business review**

The company is a holding company for the Hay Hall Holdings Ltd Group of companies. The company was acquired in February 2006 by Warner Electric (UK) Group Limited, when it became part of the Altra Industrial Motion Group Inc, a company incorporated in the United States of America.

The group is engaged in the design, manufacture and supply of industrial brakes, couplings and clutches for a variety of industrial motion control applications.

**Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend. Subsequent to 21 May 2004, the right of preference shareholders to receive dividends was removed.

**Directors**

The directors who served during the year are as follows:

D A Wall (appointed 10 February 2006 and resigned 12 December 2007)

C Christenson

C Storch (appointed 12 December 2007)

**Indemnity cover**

Directors benefited from third party indemnity provisions in place during the financial year and at the date of this report.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

## Directors' report (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

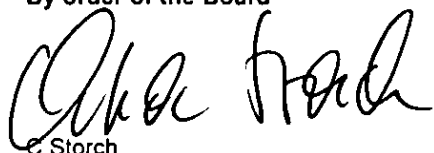
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board



C Storch  
Director

Date: 3/6/09

## **Independent Auditor's Report to the Shareholders of The Hay Hall Group Limited**

We have audited the financial statements of The Hay Hall Group Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with those financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

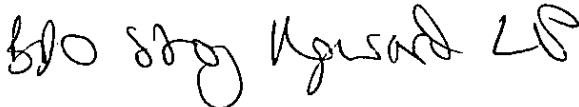
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent Auditor's Report to the Shareholders of The Hay Hall Group Limited (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



**BDO STOY HAYWARD LLP**  
*Chartered Accountants  
and Registered Auditors*  
Birmingham

Date: 16 JUNE 2009

**Profit and Loss account**  
**For the year ended 31 December 2007**

	Notes	2007 £'000	2006 £'000
<b>Turnover</b>		-	-
Operating costs	2	(26)	(418)
<b>Operating loss</b>		(26)	(418)
Profit / (loss) on disposal of subsidiary investments	8	4,356	(3,151)
Interest payable	4	-	(69)
<b>Profit/(Loss) on ordinary activities before taxation</b>	3	4,330	(3,638)
Tax on profit/(loss) on ordinary activities	7	239	(1,366)
<b>Retained profit/(loss) for the year</b>	14	4,569	(5,004)

All recognised gains and losses in the current and prior year are included in the profit and loss account.

All amounts relate to continuing activities.

**Balance Sheet**  
**31 December 2007**

	Notes	2007	2006
		£'000	£'000
<b>Fixed assets</b>			
Investments	8	8,123	8,123
		<u>8,123</u>	<u>8,123</u>
<b>Current assets</b>			
Debtors: falling due within one year	9	231	201
Debtors: falling due after more than one year	9	8,822	4,245
		<u>9,053</u>	<u>4,446</u>
Cash at bank and in hand		-	2
		<u>9,053</u>	<u>4,448</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(37)</u>	<u>(1)</u>
<b>Net current assets</b>		<u>9,016</u>	<u>4,447</u>
<b>Total assets less current liabilities</b>		<u>17,139</u>	<u>12,570</u>
<b>Creditors: Amounts falling due after more than one year</b>	11	<u>(30,977)</u>	<u>(30,977)</u>
		<u>(13,838)</u>	<u>(18,407)</u>
<b>Capital and reserves</b>			
Called-up share capital	13	8,396	8,396
Profit and loss account	15	(22,234)	(26,803)
<b>Shareholders' deficit</b>		<u>(13,838)</u>	<u>(18,407)</u>

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The accounts were authorised and approved for issue by the board of directors on 30 June 2009 and signed on its behalf by:

C Storch

Director

## Notes to accounts

### 1 Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year.

#### *Basis of accounting*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Altra Industrial Motion Inc. which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirement of FRS1 to present a cash flow statement.

These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### *Going concern*

Notwithstanding the fact that the company has net liabilities, the directors have prepared the statutory accounts on the going concern basis. This is due to the fact that the ultimate parent undertaking, Altra Industrial Motion Inc, has confirmed that it will continue to support the company.

#### *Investments*

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

#### *Taxation*

Corporation tax payable is provided on taxable profits at the current rate. Payment is made for group relief surrendered.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

## Notes to accounts

### Accounting policies (continued)

#### Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

### 2 Operating costs

	2007 £'000	2006 £'000
Other external charges	26	276
Staff costs (see note 5)	-	142
	<u>26</u>	<u>418</u>

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2007 £'000	2006 £'000
Auditors remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	4	3
- tax services	<u>17</u>	<u>2</u>

### 4 Interest payable and similar charges

	2007 £'000	2006 £'000
Bank loans and overdrafts	-	69
	<u>-</u>	<u>69</u>

## Notes to accounts

### 5 Staff costs

The average monthly number of employees (including executive directors) was as follows:

	2007 Number	2006 Number
Staff	<u>2</u>	<u>2</u>

Employee costs during the year amounted to:

	2007 £'000	2006 £'000
Wages and salaries	-	34
Social security costs	-	4
Other pension costs	-	104
	<u>-</u>	<u>142</u>

### 6 Directors' remuneration

	2007 £'000	2006 £'000
Emoluments	-	34
Contributions to money purchase scheme	-	4
	<u>-</u>	<u>38</u>
Fees to third party	-	(7)

Fees to third parties in the year ended 31 December 2006 comprise a credit amount relating to amounts accrued at 31 March 2005 that were not ultimately paid.

## Notes to accounts

### 7 Tax on profit on ordinary activities

The tax (credit) /charge comprises:

	2007 £'000	2006 £'000
<b>UK corporation tax</b>		
Current tax on profits of the year	(208)	-
Adjustment in respect of prior years	(31)	(164)
	<u>(239)</u>	<u>(164)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	1,530
	<u>(239)</u>	<u>1,366</u>
<b>Total tax (credit)/ charge on profit/(loss) on ordinary activities</b>	<u>(239)</u>	<u>1,366</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2007 £'000	2006 £'000
<b>Profit/(loss) on ordinary activities before tax</b>	<u>4,330</u>	<u>(3,638)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 - 30%)	1,299	(1,091)
Effects of:		
Income not taxable	(1,507)	-
Losses carried forward	-	(18)
Adjustments to tax charge in respect of previous periods	(31)	-
	<u>(239)</u>	<u>(164)</u>
<b>Current tax (credit)/charge for period</b>	<u>(239)</u>	<u>(164)</u>

## Notes to accounts

### 8 Fixed asset investments

#### *Investments in subsidiary undertakings*

	2007 £'000	2006 £'000
<b>Cost</b>		
At beginning of year	8,123	38,224
Disposals	-	(30,101)
Cost at end of year	<u>8,123</u>	<u>8,123</u>
<b>Amounts written off</b>		
At beginning of year	-	(19,545)
Written back on disposals	-	19,545
At end of year	<u>-</u>	<u>-</u>
<b>Net book value</b>		
At end of year	<u>8,123</u>	<u>8,123</u>

The principal undertakings in which the company's direct or indirect interest at the year end is 20% or more are as follows:

	Country of Registration	Holding	%
<b>Trading companies</b>			
Matrix International Limited (formerly Matrix Engineering Limited)	England	Ordinary	100
Twiflex Limited	England	Ordinary	100
Saftek Limited	England	Ordinary	100
Huco Engineering Industries Limited	England	Ordinary	100
Bibby Transmissions Limited	England	Ordinary	100
Matrix International GmbH	Germany	Ordinary	100
Bibby Turboflex SA	South Africa	Ordinary	100
Rathi Turboflex Pty Limited	India	Ordinary	50
<b>Holding companies</b>			
Bibby Group Limited	England	Ordinary	100
Huco Power Transmissions Limited	England	Ordinary	100
<b>Non trading companies</b>			
Turboflex Limited (Dormant)	England	Ordinary	100
Torsiflex Limited (Dormant)	England	Ordinary	100
Dynatork Air Motors Limited (Dormant)	England	Ordinary	100
Dynatork Limited (Dormant)	England	Ordinary	100

The principal activity of all the above operating companies is the design, manufacture and supply of industrial brakes, couplings and clutches for a variety of industrial motion applications.

## Notes to accounts

### 2007

During the year, the company disposed of its investment in Inertia Dynamics LLC to Altra Industrial Motion Inc. for a consideration of £4,356,000. The sale resulted in a profit on disposal of £4,356,000. The valuation of the Inertia Dynamics LLC was completed by the directors of the company based upon the fair value of the net assets of Inertia Dynamics LLC at the date of disposal.

### 2006

During the year ended 31 December 2006, the company disposed of its interests in Matrix Engineered Systems Limited (formerly Matrix International Limited), Hay Hall Leicester Limited, Stainless Steel Tubes Limited, Hay Hall Tyseley Limited and Hay Hall Trustees Limited for a consideration of £1 each. The total cost of these investments brought forward was £30,101k and a provision of £19,545k had been previously recognised. The disposal resulted in a loss of £10,555k recognised in the year ended 31 December 2006.

On disposing of these interests, inter company liabilities totalling £2,300k were novated to Matrix Engineered Systems Limited (formally Matrix International Limited). In addition the group also settled the deficit on the defined benefit pension scheme which resulted in a settlement of £5,104k, the deferred tax asset of £1,530k relating to the deficit was also released as a result of the settlement. The defined benefit scheme was novated to Matrix Engineered Systems Limited prior to the acquisition of the group by Altra Industrial Motion Inc.

This resulted in an exceptional charge to the profit and loss account of £3,151k for the year ended 31 December 2006.

## Notes to accounts

### 9 Debtors

	2007 £'000	2006 £'000
<b>Amounts falling due within one year:</b>		
Deferred tax	1	1
Corporation tax	208	164
Prepayments and accrued income	22	36
	<u>231</u>	<u>201</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by parent undertaking	4,506	150
Amounts owed by group undertakings	4,316	4,095
	<u>8,822</u>	<u>4,245</u>

### 10 Creditors: Amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdraft	32	-
Accruals	5	1
	<u>37</u>	<u>1</u>

### 11 Creditors: Amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts due to parent undertakings	10,473	10,473
Redeemable preference shares (see note 13)	20,504	20,504
	<u>30,977</u>	<u>30,977</u>

## Notes to accounts

### 12 Provisions for liabilities and charges

	2007 £'000	2006 £'000
<i>Deferred tax</i>		
At beginning of period	1	-
(Charged to)/credited to the profit and loss account	-	1
Transferred to debtors (note 9)	(1)	(1)
At end of period	-	-
 The deferred tax provision comprises:		
Accelerated capital allowances	1	1
Other timing differences	-	-
	1	1

The company also has losses of £1,212,448 (2006 - £732,221), giving a deferred tax asset of £339,000 (2006 - £220,000) which is un-provided. This deferred tax asset has not been recognised on the basis that it is unlikely to be utilised in the foreseeable future.

### 13 Called-up share capital

	2007 £'000	2006 £'000
<i>Authorised</i>		
1,533,000 C preference shares of £1 each	1,533	1,533
5,396,000 B preference shares of £1 each	5,396	5,396
21,361,500 redeemable preference shares of £0.01 each	214	214
2,250,000 'A' ordinary shares of £1 each	2,250	2,250
381,500 ordinary shares of £1 each	381	381
	9,774	9,774
 <i>Allotted, called-up and fully-paid</i>		
1,532,500 C preference shares of £1 each	1,532	1,532
4,363,656 B preference shares of £1 each	4,364	4,364
21,361,500 redeemable preference shares of £0.01 each	-	-
250,000 'A' ordinary shares of £1 each	2,250	2,250
250,000 ordinary shares of £1 each	250	250
	8,396	8,396

## Notes to accounts

### 13 Called-up share capital (continued)

#### Principal features of each class of share

##### *C preference shares and B preference shares*

The C and B preference shares carry no rights to any income.

##### *Redeemable preference shares*

Up until 21 May 2004 the redeemable preference shares carried rights to a 5% dividend on the amount paid up with dividends payable on 15 August and 15 February each year and the holders entitled first to any arrears of dividends not paid. Any amounts not paid on the due dates were increased by an amount equivalent to interest thereon at 2% above base rate.

With effect from 21 May 2004 the rights to receive dividends and any penalty dividends in respect of late payment of such dividends was removed. During the prior year rights to previously accrued dividends were also received.

The preference shares are redeemable at the paid up amount by the company in multiples of 50,000 shares with one month's notice, subject to any arrears on dividends, but in any event as follows:

31 December	Number of shares
2006	5,340,375
2007	5,340,375
2008	5,340,375
2009	5,340,375
	<hr/>
	21,361,500
	<hr/>

If the company is unable to redeem the shares on the above dates, the shares must be redeemed at the first subsequent available time, with interest of 2% above base rate per annum payable during any period of delay. Hay Hall Holdings Limited which owns 100% of the redeemable preference shares has provided an irrevocable commitment not to require redemption of these shares and not to charge the additional interest detailed in the rights to the shares.

On a winding up of the company the preference share holders are entitled to the amount paid up on the shares followed by any arrears on dividends, being paid before any amounts due to the holders of the ordinary shares.

The preference shares do not carry rights to vote at general meetings unless any such shares due to be redeemed have remained unredeemed for a period exceeding 28 days from the due date.

## Notes to accounts

### 13 Called-up share capital (continued)

#### *'A' ordinary and ordinary shares*

The 'A' ordinary and ordinary shareholders rank equally and are entitled to any residue of dividends declared after the preference share dividends up to 21 May 2004 and any arrears thereon have been declared and paid. The dividends will be distributed in proportion to the number of shares held.

On winding up of the company, the 'A' ordinary and ordinary shareholders rank equally and are entitled to the amounts paid up on the shares, after firstly the 'C' preference shareholders, secondly the 'B' preference shareholders and thirdly the redeemable preference shareholders have been paid. Thereafter, any remaining surplus will be distributed to the 'A' ordinary and ordinary shareholders in proportion to the number of shares held.

Each 'A' ordinary and ordinary share carries one vote per share in general meetings.

### 14 Reserves

	Profit and loss account £'000	Total £'000
Beginning of year	(26,803)	(26,803)
Retained profit for the year	4,569	4,569
End of year	<u>(22,234)</u>	<u>(22,234)</u>

### 15 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit/(loss) for the financial year	<u>4,569</u>	<u>(5,004)</u>
Opening shareholders' funds: as previously stated	(18,407)	(13,403)
Prior year adjustment	-	(4,723)
Opening shareholders' funds	<u>(18,407)</u>	<u>(18,126)</u>
Closing shareholders' funds	<u>(13,838)</u>	<u>(18,407)</u>

## **Notes to accounts**

### **16 Pension arrangements**

Until 10 February 2006, the company operated a defined benefit scheme in the UK; this scheme was then transferred to Matrix Engineered Systems Limited.

### **17 Related party disclosures**

In accordance with Financial Reporting Standard 8, transactions with other members of the group headed Altra Industrial Motion Inc. are not disclosed, 100% of the voting rights of the company are controlled within the group for which consolidated financial statements are publicly available.

### **18 Ultimate parent undertaking**

On 10 February 2006 the company's parent undertaking was acquired by Warner Electric (UK) Group Limited, a company incorporated in England. With effect from this date the company's ultimate parent company is Altra Industrial Motion Inc, a company incorporated in the United States of America.

The largest UK group in which the results of the company are consolidated is that headed by Altra Industrial Motion Inc. The consolidated financial statements of Altra Industrial Motion Inc. are available to the public and may be obtained from 300 Granite Street, Suite 201 Braintree, MA 02184 – USA.