

**Magna International
Holding (UK) Limited**

**Annual Report and
Financial Statements**

**For the 52 week period ended
30 December 2017**

Registration No: 03167671



Magna International Holding (UK) Limited

Registered No. 03167671

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Magna International Holding (UK) Limited

Registered No. 03167671

Officers and professional advisors

Directors

R Hupe
M Smith

Secretary

M Smith

Auditor

Deloitte LLP
Statutory Auditor
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B1 2HZ
United Kingdom

Bankers

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10 Harewood Avenue
London
NW1 6AA
United Kingdom

Solicitors

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Registered Office

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CV3 4PE
United Kingdom

Magna International Holding (UK) Limited

Strategic report

The directors present their strategic report for the 52 week period ended 30 December 2017 (2016: 52 week period ended 31 December 2016 (referred to as "2017" and "2016" within the financial statements)). The directors in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Principal activity and review of the business

The principal activities of Magna International Holding (UK) Limited ("the Company") are that of a holding company and provider of debt finance for operating companies which design, engineer and manufacture a complete range of exterior systems, seating, components and tooling for supply to the European automotive industry. The Company also has a group office function and a design and engineering centre based in Coventry. During 2016, the Company set up a new casting division in Telford, which started to manufacture aluminium castings for JaguarLandRover (JLR) in the final quarter of 2017.

The Company has received a grant of £5.5m from the Regional Growth Fund (RGF) towards the construction of the Telford facility, plant and machinery, experimental development expenses and training costs. The RGF grant was paid subject to the Company achieving a number of milestones within a project delivery plan.

Key Performance Indicators

The loss for the 52 week period after taxation amounted to £4,817,000 (2016 – profit of £5,445,000), which will be transferred to reserves. The Company's key financial performance indicators are shown below:

	2017 £000	2016 £000	Change %
Turnover	2,998	3,331	(10)
Operating loss	(4,295)	(1,623)	165
(Loss)/profit for the financial year	(4,817)	5,445	(188)
Shareholders' funds	27,561	32,378	(15)

Turnover has decreased by 10% because a number of JLR design and engineering projects were completed in the first quarter of 2017. The operating loss is mainly due to the costs of the new Cosma Casting division, which started to manufacture prototype parts during the final quarter of 2017. There was a profit in 2016 due to the reversal of an impairment provision of £7million on the Company's investment in Magna Seating (UK) Ltd.

Principal Risks and Uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

Market risk

There is significant pricing pressure from our customers and it is a key characteristic of the automotive parts industry. The Company seeks to recover any customer price reduction by passing it through to the supply base or by targeting cost reductions through value added/value engineering activities and utilising lean manufacturing principles at its operations. We are continually assessing the financial stability of our supply base through external credit agency checks and financial reviews, whilst still ensuring that the best source of supply is selected.

Magna International Holding (UK) Limited

Strategic report (continued)

Principal Risks and Uncertainties (continued)

Market risk (continued)

During the 52 week period ended 30 December 2017, the Company continued to monitor the performance of its subsidiaries and other UK group undertakings, so as to identify any potential negative impact on the value of the investments and intercompany loans.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet short term financial demands. The Company has access to Group debt facilities that ensures the Company has sufficient funds for operations.

Foreign exchange risk

The Company's activities expose it to the fluctuations in foreign currency exchange rates. We manage foreign exchange rate risk by taking out forward currency contracts over the Company's net position over a three year period. We do not use such instruments for speculative or trading purposes.

Brexit risk

On 23 June 2016, the United Kingdom voted to leave the European Union ('Brexit'). This vote has resulted in uncertainty in economic and political spheres. The timing and outcome of negotiations between the UK and the European institutions as to the manner of the UK's exit is not clear. Brexit has created significant uncertainty, and made it difficult to predict future growth. The Company imports materials from the EU and since Brexit was announced, imports from the EU have become more expensive due to the devaluation of sterling. In the future, after withdrawal from the EU, there could also be a significant impact on customs duties.

Post balance sheet events

There have been no material post balance sheet events.

Future developments

The Cosma Casting Business Group within Magna International Inc. has set up a new facility in the UK. This business is a trading division of the Company and has started to manufacture prototype parts during the final quarter of 2017. The Company has made a significant investment in die casting machines and other plant and machinery during 2017 and will continue to do so over the next 2 to 3 years.

By order of the board



M Smith

Director

Date 27th September 2018

Magna International Holding (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 30 December 2017.

Dividends

No dividend is recommended by the directors (2016 – £Nil).

Future outlook and events after the balance sheet date

Details of future developments and significant events that have occurred since the balance sheet date can be found in the strategic report on page 4 and form part of this report by cross-reference.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks, including market risk, liquidity risk and foreign exchange risk. Further details of these risks and how they are managed can be found in the strategic report on page 3 and form part of this report by cross-reference.

Going concern

The Company's business activities, together with the factors that are likely to affect the future development and position, are set out in the Strategic Report on page 3. Despite the reduction in net assets due to the loss for the period, the financial statements have been prepared on a going concern basis. This is because the loss mainly stems from the start-up costs of the new Casting division, which is not yet in full scale production. This performance is consistent with the business plan and not illustrative of any underlying problems in the Company. The directors have reviewed cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. On this basis, the directors consider that the Company has adequate funds to be able to meet its liabilities as they fall due.

The Company participates in the group's centralised treasury arrangements, which organise its banking requirements. The directors, having assessed the responses of the directors of the Company's parent undertaking, Magna International Inc. to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Magna International Inc. and as a result, the Company, to continue as a going concern or its ability to continue with the current funding requirements.

Directors of the Company

The directors during the 52 week period ended 30 December 2017 and at the date of this report were as follows:

R Hupe
M Smith

Directors' liabilities

Magna International Inc., the ultimate parent undertaking, indemnifies the directors of the Company and fellow subsidiaries against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Magna International Holding (UK) Limited

Directors' report (continued)

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position under normal terms and conditions and to provide appropriate training to achieve this aim.

Employee consultation

The Company is committed to an operating philosophy which is based on fairness for people and has adopted the Magna International Inc. charter, which applies to all Magna International Inc. companies worldwide. This charter includes principles which strive to create a quality work environment by providing employees fair treatment and a safe and healthy work place, competitive wages and benefits and regular communication between management and employees.

Political and charitable contributions

During the 52 week period ended 30 December 2017, the Company made no political contributions (2016 – £nil) or charitable contributions (2016 – £nil).

Statement as to disclosure of information to the auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Re-appointment of auditor

Deloitte LLP, our appointed auditor, has conducted the audit for the 52 week period ended 30 December 2017 and have expressed their willingness to be reappointed for another term. A resolution to re-appoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

By order of the board,



M Smith

Director

Date 27 September 2018

Magna International Holding (UK) Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Magna International Holding (UK) Limited

Independent auditor's report to the members of Magna International Holding (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Magna International Holding (UK) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 December 2017 and of its loss for the 52 week period ended 30 December 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company, which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Magna International Holding (UK) Limited

Independent auditor's report to the members of Magna International Holding (UK) Limited continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Magna International Holding (UK) Limited

Independent auditor's report to the members of Magna International Holding (UK) Limited continued

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

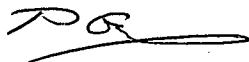
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date 27 September 2018

Magna International Holding (UK) Limited

Profit and loss account

for the 52 week period ended 30 December 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	3	2,998	3,331
Cost of sales		(5,376)	(3,450)
Gross loss		(2,378)	(119)
Administrative expenses		(1,917)	(3,355)
Other operating income	5	-	1,851
Operating loss		(4,295)	(1,623)
Finance income (net)	4	356	104
Reversal of impairment provision	5	-	7,000
(Loss)/profit before taxation	5	(3,939)	5,481
Tax on (loss)/profit	8	(878)	(36)
(Loss)/profit for the financial period	17	(4,817)	5,445

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no other comprehensive income or loss other than those passing through the profit and loss account and therefore no separate statement of comprehensive income has been presented.

The notes on pages 14 to 25 form an integral part of these financial statements.

Magna International Holding (UK) Limited

Balance sheet

As at 30 December 2017

		30 December 2017	31 December 2016
	Note	£000	£000
Fixed assets			
Investments	9	15,000	15,000
Tangible assets	10	24,494	3,506
		<u>39,494</u>	<u>18,506</u>
Current assets			
Stocks	11	1,437	27
Debtors	12	31,782	7,903
Cash at bank and in hand		54,461	106,597
		<u>87,680</u>	<u>114,527</u>
Creditors: amounts falling due within one year	13	(97,446)	(100,655)
Net current (liabilities)/assets		<u>(9,766)</u>	<u>13,872</u>
Total assets less current liabilities		<u>29,728</u>	<u>32,378</u>
Creditors: amounts falling due after more than one year	14	(1,394)	-
Provisions for liabilities	15	(773)	-
Net assets		<u>27,561</u>	<u>32,378</u>
Capital and reserves			
Called up share capital	16	197,413	197,413
Profit and loss account	17	(169,852)	(165,035)
Shareholders' funds		<u>27,561</u>	<u>32,378</u>

The financial statements of Magna International Holding (UK) Limited (registered number: 03167671) were approved by the board of directors and authorised for issue on the date below and signed on its behalf by:



M Smith

Director

Date 27 September 2018

The notes on pages 14 to 25 form an integral part of these financial statements.

Magna International Holding (UK) Limited

Statement of changes in equity for the 52 week period ended 30 December 2017

	Share capital £000	Profit and loss account £000	Total £000
As at 2 January 2016	197,413	(170,480)	26,933
Profit and total comprehensive income for the financial period	-	5,445	5,445
As at 31 December 2016	197,413	(165,035)	32,378
Loss and total comprehensive loss for the financial period	-	(4,817)	(4,817)
As at 30 December 2017	197,413	(169,852)	27,561

Magna International Holding (UK) Limited

Notes to the financial statements

for the 52 week period ended 30 December 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period.

General information and basis of accounting

The Company is incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 4.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of the Company is considered to be pounds sterling, because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Magna International Inc. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's products; (b) the exchange rate between sterling and the euro, and thus the consequence for the cost of the Company's raw materials; and (c) the availability of bank finance in the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility.

The loss for the period and the consequent reduction in net assets, results from the start-up costs of the new Casting division, which is not yet in full scale production. This performance is consistent with the business plan and not illustrative of any underlying problems in the Company. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of 12 months after signing the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Group Financial Statements

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Turnover

Turnover is attributable to one continuing activity and represents the amount invoiced to customers excluding value added tax (and after deducting discounts and rebates). Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017.

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and attributable proportion of manufacturing overheads based on normal levels of activity.

Revenue and costs in respect of tooling contracts are held on the balance sheet until the contracts are completed. Upon completion, the turnover and full costs are recognised in the income statement. Full provision is made for losses on contracts in the year in which they are foreseen.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, 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.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, once in operation, at rates calculated to write off the cost on a straight line basis over its expected useful life (10 years for plant and machinery). Assets under construction are not depreciated and transferred to the relevant category of asset once in use.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

1. Accounting policies (continued)

Financial Instruments (continued)

rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments are stated at cost less any provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

(i) Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(ii) Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

1. Accounting policies (continued)

Operating profit

Operating profit is defined as the profit for the period after all operating costs and income but before interest receivable and similar income, interest payable and similar charges and taxation. Operating profit is disclosed as a separate line on the face of the profit and loss account.

Interest income

Interest income is recognised on the date of receipt.

Employee benefits

The Company operates a defined contribution pension plan and recognises a cost equal to the contribution payable for the period in the profit and loss account. For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leasing commitments

Rentals payable under operating leases are recognised in the profit and loss account on a straight line basis over the term of the lease.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Management exercised judgement to conclude whether investments are subject to impairment based on current performance of the investee and its future plans. Details of the analysis carried out is described below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The government grant received in relation to the tangible fixed assets is to be amortised over 10 years, which is considered to be the useful economic life of these assets.

Key source of estimation uncertainty – impairment of investments

Determining whether investments are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investment and a suitable discount rate in order to calculate present value.

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

3. Turnover

An analysis of the Company's turnover by geographical market is set out below:

	2017 £000	2016 £000
United Kingdom	1,612	2,463
Rest of World	1,386	868
	<u>2,998</u>	<u>3,331</u>

All turnover has been derived from the rendering of engineering services.

4. Finance income (net)

	2017 £000	2016 £000
Bank overdrafts	53	(11)
Interest receivable from group undertakings	303	115
	<u>356</u>	<u>104</u>

5. (Loss)/profit on ordinary activities before taxation

This is stated after charging/(crediting):

	2017 £000	2016 £000
Reversal of impairment provision (note 9)	-	(7,000)
Agreed increase in Grupo Antolin tooling receivable	-	1,851
Depreciation of tangible fixed assets	81	36
Government grants	-	42
Operating lease rentals	434	391
Foreign exchange (gain)/loss	(290)	390
Cost of stock recognised as an expense	191	-
Auditor's remuneration – audit of the financial statements	9	4
	<u></u>	<u></u>

The Company has reversed previously recognised impairment provision of £7million against the investment in its subsidiary undertaking, Magna Seating (UK) Ltd. The Directors consider that the value of this subsidiary now exceeds the cost of investment.

Fee payable for non-audit services was £nil (2016: £nil).

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

6. Staff numbers and costs

The average monthly number of employees was:

	2017 Number	2016 Number
Engineering	38	25
Sales	7	7
Manufacturing	16	-
Administration	29	14
	<u>90</u>	<u>46</u>

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	3,502	2,228
Social security costs	388	295
Other pension costs	108	67
	<u>3,998</u>	<u>2,590</u>

7. Directors' remuneration and transactions

	2017 £000	2016 £000
Emoluments	<u>216</u>	<u>246</u>

Company contributions to money purchase pension schemes	<u>4</u>	<u>4</u>
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	No.	No.
Members of money purchase pension scheme	<u>1</u>	<u>1</u>

The amounts in respect of the highest paid director are as follows:

	£000	£000
Emoluments	<u>216</u>	<u>246</u>
Company contributions to money purchase pension schemes	<u>4</u>	<u>4</u>

Magna International Holding (UK) Limited

Notes to the financial statements (continued) for the 52 week period ended 30 December 2017

7. Directors' remuneration and transactions (continued)

One director exercised share options over shares in the ultimate parent undertaking, Magna International Inc., during the year and also received further shares under the group's long term incentive plan. In 2016 and 2017 directors' emoluments have been borne by a fellow group company in respect of one director. Given he provides services to numerous Magna group companies, it is not feasible to allocate his remuneration to the Company.

8. Tax on (loss)/profit

(a) Analysis of tax charge for the period

	2017 £000	2016 £000
<i>Current tax on loss</i>		
UK corporation tax	-	-
Adjustment in respect of prior periods – UK corporation tax	-	(37)
	<u>-</u>	<u>(37)</u>
Foreign withholding tax	105	73
<i>Deferred tax</i>		
Origination and reversal of timing differences	773	-
	<u>878</u>	<u>36</u>

(b) Factors affecting tax charge for the period

The tax charge arising on the (loss)/profit on ordinary activities for the 52 week period is different from the effective rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are reconciled below:

	2017 £000	2016 £000
(Loss)/profit before tax	(3,939)	5,481
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	(758)	1,096
<i>Effect of:</i>		
Expenses not deductible for tax purposes	1	-
Group relief of losses surrendered for no payment	1,559	319
Reversal of impairment provision	-	(1,400)
Foreign withholding tax	85	58
Adjustment to deferred tax for rate change	(9)	-
Adjustment to tax charge in respect of prior periods	-	(37)
	<u>878</u>	<u>36</u>

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

8. Tax on (loss)/profit (continued)

(c) Factors affecting future tax charges

The standard rate of tax applied to the reported (loss)/profit on ordinary activities is 19.25% (2016: 20%).

The government has announced that the UK corporation tax rate will reduce to 17% by 1 April 2020. Reductions in the UK tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and to 17% (effective 1 April 2020) was substantively enacted in September 2016. These reductions will further reduce the Company's current tax charge.

At 30 December 2017 the Company has no unrecognised trading losses (2016: £nil) available to offset against certain future profits.

9. Fixed asset investments

	<i>Subsidiary Undertakings £000</i>
<i>Cost:</i>	
At 31 December 2016 and 30 December 2017	15,000
<i>Provisions for impairment:</i>	
At 31 December 2016 and 30 December 2017	-
<i>Net book value:</i>	
At 31 December 2016 and 30 December 2017	15,000

Subsidiaries

The Company incorporated a new subsidiary on 21 July 2016, named Cosma Casting UK R.E. Limited. At incorporation, 100 ordinary shares of £1 each were issued and fully paid up. The subsidiaries of the Company at 30 December 2017, which are registered in England and Wales, were:

	<i>Registered office</i>	<i>Principal activity</i>	<i>Holding</i>	<i>Proportion held</i>
Magna Seating (UK) Limited	Chatham	Automotive	Ordinary shares	100%
Cosma Casting UK R.E. Limited	Coventry	Property	Ordinary shares	100%

Full registered address of Magna Seating (UK) Limited is Admiral's Offices Main Gate Road, The Historic Dockyard, Chatham, Kent, ME4 4TZ.

Full registered address of Cosma Casting UK R.E. Limited is International House Siskin Parkway East, Middlemarch Business Park, Coventry, Warwickshire, England, CV3 4PE. The full principal activity of this company is investment property management.

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

10. Tangible fixed assets

	<i>Assets in course of construction £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
<i>Cost:</i>			
At 31 December 2016	3,350	192	3,542
Additions	20,998	71	21,069
At 30 December 2017	24,348	263	24,611
<i>Depreciation:</i>			
At 31 December 2016	-	36	36
Charge for the year	-	81	81
At 30 December 2017	-	117	117
<i>Net book value:</i>			
At 30 December 2017	24,348	146	24,494
At 31 December 2016	3,350	156	3,506

11. Stocks

	30 December 2017 £000	31 December 2016 £000
Raw materials and work in progress	191	-
Tooling work in progress	1,220	-
Engineering inventory	26	27
	<u>1,437</u>	<u>27</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. Debtors: amounts falling due within one year

	30 December 2017 £000	31 December 2016 £000
Trade debtors	249	337
Tooling receivable due from Grupo Antolin	554	649
Amounts due from subsidiary undertakings	24,454	5,437
Amounts due from group undertakings	5,340	298
VAT	958	1,065
Prepayments and accrued income	227	117
	<u>31,782</u>	<u>7,903</u>

Amounts due from subsidiary undertakings are interest bearing and repayable on demand. The rate of interest is based on the bank deposit rate.

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

13. Creditors: amounts falling due within one year

	30 December 2017 £000	31 December 2016 £000
Trade creditors	7,603	2,684
Amounts owing to subsidiary undertakings	6,576	3,969
Amounts owing to group undertakings	79,531	93,131
Accruals and deferred income	3,308	322
Other taxation and social security	428	549
	<u>97,446</u>	<u>100,655</u>

Amounts owing to subsidiary and group undertakings are interest bearing and repayable on demand. The rate of interest is based on the bank deposit rate.

14. Creditors: amounts falling due after more than one year

	30 December 2017 £000	31 December 2016 £000
Accruals and deferred income	1,394	-
	<u>1,394</u>	<u>-</u>

15. Provisions for liabilities

	30 December 2017 £000	31 December 2016 £000
Deferred tax		
As at 31 December 2016	-	-
Charged to profit and loss account	773	-
As at 30 December 2017	<u>773</u>	<u>-</u>

The above deferred tax balance relates to accelerated capital allowances.

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

16. Called up share capital

	30 December 2017 £	31 December 2016 £
Authorised, allotted, called up and fully paid:		
1 Ordinary shares of £1 each	1	1
197,412,999 redeemable preference shares of £1 each	197,412,999	197,412,999
	<u>197,413,000</u>	<u>197,413,000</u>

The preference shares, which were issued at par, are redeemable by the Company at any time. They carry the same dividend and voting rights as ordinary shares. On winding-up of the Company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share.

17. Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

18. Pension commitments

The Company was a participating employer in the Magna (UK) Pension Scheme, a funded money purchase pension scheme, established on 30 March 1997. The assets of the scheme are held separately from those of the Company, being invested in various funds managed by Legal & General. A new Magna (UK) Pension Scheme, a funded money purchase pension scheme was established on 1 September 2015. The assets of the scheme are held separately from those of the Company, being invested in various funds managed by National Pensions Trust. Contributions to the scheme are charged to the profit and loss account as they occur. For non Magna pension scheme members, the Company implemented the NEST scheme in May 2014.

The Company's contributions to the pension scheme outstanding at the balance sheet date were £9,000 (2016: £7,000).

Magna International Holding (UK) Limited

Notes to the financial statements (continued)

for the 52 week period ended 30 December 2017

19. Financial commitments

	30 December 2017 £000	31 December 2016 £000
Capital commitments relating to plant and machinery are as follows:		
Amounts contracted but not provided for	4,863	9,234

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year	1,763	279	28	56
Between one and five years	7,060	1,120	10	47
After five years	18,877	1,315	-	-
	<u>27,700</u>	<u>2,714</u>	<u>38</u>	<u>103</u>

20. Related party transactions

The Company has taken advantage of the exemption within paragraph 33 "related parties" for UK companies of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", from disclosing transactions with related parties that are part of the Magna International Inc. group, consolidated financial statements of which are publicly available.

21. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is New Magna Investments NV, a company registered in Belgium. The Company results are included in the consolidated financial statements of this company. This is the smallest group into which the results of the Company are consolidated. Copies of the financial statements of New Magna Investments NV are available from Watermolenstraat 102, 1654 Beersel, Belgium, which is also its registered office.

In the directors' opinion the Company's ultimate parent undertaking and controlling party is Magna International Inc., incorporated in Ontario, Canada. The Company results are therefore included in the consolidated financial statements of this group, which is the largest group into which the results of the Company are consolidated. Copies of the financial statements of Magna International Inc. are available from 337 Magna Drive, Aurora, Ontario, Canada L4G 7K1, which is also its registered office.