

**Metaldyne International (UK) Limited**

**Directors' report and financial  
statements**

**Registered number 3384705**

**Year ended 31 December 2015**



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## Strategic report

### Principal activities

The principal activity comprises the manufacture and distribution of dampers and viscous products for automotive and industrial applications.

### Business review

The company continues to operate profitably with further integration of the new passenger car market into the traditional product range. Sales for 2015 increased by 1.8% compared to 2014 with an operating profit of £0.3m v £1.3m. The profit margin in 2015 was impacted by increased depreciation charge following ongoing investment, R&D and launch costs for new product introduction and adverse currency impact.

### Key performance indicators

Key financial performance indicators include the monitoring of the management of profitability and working capital as follows:

	31 December 2015	31 December 2014	Measure
<b>Financial</b>			
Return on capital	2.4%	10.5%	Profit before tax/ assets less current liabilities
Current ratio	2.5	2.4	Current assets: current liabilities
Stock turnover	10.2	11.0	Turnover/stock
Days debtors	17.6	14.1	Trade debtors/average turnover
Days creditors	48.8	56.3	Trade creditors/average turnover
Sales per employee (£000)	268.2	271.2	Turnover/average number of employees

Key non-financial performance indicators include the monitoring of our employees' health and safety in addition to the group's environmental impact and energy consumption.

In line with Financial Reporting Standard 17, the pension liability at 31 December 2014 of £804,000 (£643,200 net of deferred tax) has been included in the financial statements.

### Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

**Foreign currency exchange:** The Company experiences fluctuations relating to currency transactions and presently does not hedge against currency fluctuations.

**Raw material availability and prices:** The Company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.

**Environmental risks:** The Company places considerable emphasis upon environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.

**Debtors:** The Company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.

**The effect of legislation or other regulatory activities:** The Company monitors forthcoming and current legislation regularly.

**Pension funding risk:** The Company operates a defined benefit pension plan as detailed in note 19. The funding of the pension liabilities at 31 December 2014 was 70% by equities and 30% in bonds. The defined benefit scheme was closed to future accruals on 30 June 2010 following agreement on a 5 year deficit recovery plan.

## Strategic report *(continued)*

### Principal risks and uncertainties *(continued)*

**Competitive risk:** The Company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the Company. The diversity of operations and the continued search for new market opportunities reduces the possible effect of action by any single competitor.

### Future developments

Key areas of strategic development and performance of the business include:

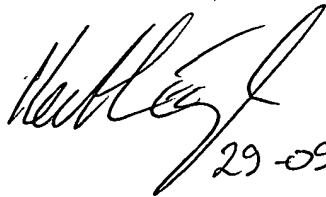
**Sales and marketing:** New and replacement business is being won continually; new markets have been developed in line with the Company's strategy; key customer relationships are monitored on a regular basis.

**Manufacturing:** New products continue to be developed for both existing and developing markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed.

**Environment:** Consent limits have been met; neighbour complaints have been at a minimum and all have been addressed; new methods of achieving greater environmental effectiveness are continually being examined.

**Health and Safety:** Accident and absenteeism rates have again fallen and the Company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

**Keith Eagle**  
Director



29-09-16

131 Parkinson lane  
Halifax  
West Yorkshire  
HX1 3RD

29 September 2016

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2015.

### Proposed dividend

The directors do not recommend the payment of a dividend for the year (2014: £nil).

### Directors and directors' interests

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

Yves J R Gerard

Thomas A Amato (Resigned 31/12/2015)

Mark P Blaufuss

Keith Eagle (Appointed 21/09/2016)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be appointed and KPMG LLP will therefore continue in office.

By order of the board

  
Keith Eagle  
Director

29-09-16

131 Parkinson lane  
Halifax  
West Yorkshire  
HX1 3RD

29 September 2016

## **Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Reports, the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## KPMG LLP

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
United Kingdom

### **Independent auditor's report to the members of Metaldyne International (UK) Limited**

We have audited the financial statements of Metaldyne International (UK) Limited for year ended 31 December 2015 as set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at year end 31 December 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditor's report to the members of Metaldyne International (UK) Limited (*continued*)**

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

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

*Malcolm Harding*

**Malcolm Harding (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

30 September 2016



**Profit and Loss account and Other Comprehensive Income**  
*for the year ended 31 December 2015*

	Note	2015 £	2014 £
<b>Turnover</b>		<b>28,429,915</b>	27,934,935
Cost of sales		(23,736,292)	(22,668,803)
<b>Gross profit</b>		<b>4,693,623</b>	5,266,132
Distribution costs		(268,762)	(235,749)
Administrative expenses		(3,925,230)	(3,792,613)
<b>Operating profit</b>	2	<b>499,631</b>	1,237,770
Interest receivable and similar income	5	30,293	47,504
Interest payable and similar charges	6	(208,969)	(217,426)
Other finance income		5,856	1,903
Pension scheme income and expense	17	(22,000)	259,000
<b>Profit on ordinary activities before taxation</b>		<b>304,814</b>	1,324,925
Taxation	7	(93,437)	(330,051)
<b>Profit for the financial year</b>		<b>211,377</b>	994,904
<b>Other comprehensive income</b>			
Remeasurement of the net defined benefit liability (asset)		(3,280)	(174,400)
<b>Other comprehensive income for the year, net of income tax</b>		<b>(3,280)</b>	(174,400)
<b>Total comprehensive income for the year</b>		<b>208,097</b>	820,504

The results in the current and prior period derive from continuing operations.

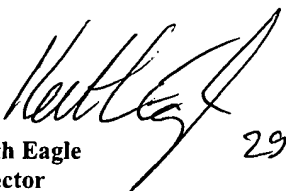
The notes on pages 11 to 28 form part of these financial statements.

**Balance sheet**  
*At 31 December 2015*

	Note	2015 £	2015 £	2014 £	2014 £
<b>Fixed assets</b>					
Intangible assets	8	322,959		484,299	
Tangible assets	9	4,438,963		4,347,553	
			<b>4,761,922</b>		<b>4,831,852</b>
<b>Current assets</b>					
Stocks	10	2,789,450		2,548,364	
Debtors	11	8,931,985		10,088,274	
Cash at bank and in hand		1,506,108		1,256,586	
		<b>13,227,543</b>		<b>13,893,224</b>	
<b>Creditors: amounts falling due within one year</b>	12	<b>(5,253,789)</b>		<b>(5,789,967)</b>	
<b>Net current assets</b>			<b>7,973,754</b>		<b>8,103,2576</b>
<b>Total assets less current liabilities</b>			<b>12,735,676</b>		<b>12,935,109</b>
<b>Provisions for liabilities and charges</b>	13		<b>(158,071)</b>		<b>(140,521)</b>
<b>Net assets excluding pension liability</b>			<b>12,577,605</b>		<b>12,794,588</b>
<b>Pension liability</b>	17		<b>(395,000)</b>		<b>(804,000)</b>
<b>Net assets including pension liability</b>			<b>12,182,605</b>		<b>11,990,588</b>
<b>Capital and reserves</b>					
Called up share capital	15		<b>6,662,787</b>		<b>6,662,787</b>
Share premium account			<b>999,205</b>		<b>999,205</b>
Profit and loss account			<b>4,520,613</b>		<b>4,328,596</b>
<b>Shareholders' funds</b>			<b>12,182,605</b>		<b>12,182,605</b>

The notes on pages 11 to 28 form part of these financial statements.

These financial statements were approved by the board of directors 29 September 2016 and were signed on its behalf by:

  
Keith Eagle  
Director 29-09-16

## Statement of Changes in Equity

	Called up share capital £	Share premium account £	Profit & loss account £	Total shareholder's equity £
Balance at 1 January 2014	6,662,787	999,205	3,508,092	11,170,084
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	994,904	994,904
Other comprehensive loss	-	-	(174,400)	(174,400)
<b>Total comprehensive income for the period</b>	-	-	820,504	820,504
<b>Balance at 31 December 2014</b>	<b>6,662,787</b>	<b>999,205</b>	<b>4,328,596</b>	<b>11,990,588</b>

	Called up share capital £	Share premium account £	Profit & loss account £	Total shareholder's equity £
Balance at 1 January 2015	6,662,787	999,205	4,328,596	11,990,588
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	211,377	211,377
Other comprehensive loss	-	-	(3,280)	(3,280)
<b>Total comprehensive income for the period</b>	-	-	208,097	208,097
Deferred tax timing differences (note 14)	-	-	(16,080)	(16,080)
<b>Balance at 31 December 2015</b>	<b>6,662,787</b>	<b>999,205</b>	<b>4,520,613</b>	<b>12,182,605</b>

The notes on pages 11 to 28 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Metaldyne International (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 20.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2015 have not been restated.

The Company's ultimate parent undertaking, includes the Company in its consolidated financial statements. The consolidated financial statements of Metaldyne GmbH are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Metaldyne GmbH include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Going concern*

In determining whether the company's 2015 accounts can be prepared on a going concern basis, the directors considered all factors likely to affect its future performance and its financial position, including uncertainties relating to cash flows, liquidity position and its trading activities. The key factors considered by the directors were the financial stability of the ultimate holding company, Metaldyne GmbH, the implications of the economic environment, the credit risks associated with the company's trade and the potential actions that could be taken in the event that revenues are worse than expected.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### *Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

## Notes (continued)

### 1 Accounting policies (continued)

Freehold buildings	5% per annum
Plant and equipment	10% - 25% per annum
Fixtures and fittings	10% per annum
Computer equipment	25% - 33% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### *Intangible assets, goodwill and negative goodwill*

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

##### *Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Goodwill	5% per annum
Patents and licenses	5-10% per annum

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

##### *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment excluding stocks and deferred tax assets*

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

#### *Impairment excluding stocks and deferred tax assets (continued)*

##### *Financial assets (including trade and other debtors) (continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Employee benefits*

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans [and other long term employee benefits] is calculated [separately for each plan] by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed [annually] by [the directors/a qualified actuary] using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

##### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

##### *Turnover*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer (which is when the goods are dispatched), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

##### *Expenses*

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Expenses (continued)*

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

##### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2015 £	2014 £
Depreciation of owned fixed assets	1,007,428	888,909
Amortisation of intangible fixed assets	161,340	277,335
Auditor's remuneration – Audit of the financial statements	19,000	19,000
Auditor's remuneration – Taxation compliance services	9,600	9,600
Operating lease expense – hire of plant and machinery	41,499	43,848
Loss on disposal of fixed assets	-	7,058
	<u>1,238,867</u>	<u>1,286,750</u>

### 3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2015 Number	2014 Number
Office staff	33	31
Manufacturing and construction	73	73
	<u>106</u>	<u>104</u>

The aggregate payroll costs of these persons were as follows:

	2015 £	2014 £
Wages and salaries	3,426,721	3,306,211
Social security costs	305,871	298,135
Other pension costs	127,251	122,683
	<u>3,859,843</u>	<u>3,727,029</u>

## Notes (continued)

### 4 Directors' remuneration

The directors do not receive any remuneration for their services from the Company as they are borne by other companies within the Metaldyne group.

### 5 Interest receivable and similar income

	2015 £	2014 £
Bank interest	30,293	47,504

### 6 Interest payable and similar charges

	2015 £	2014 £
Factoring interest	75,360	77,622
Factoring charges	118,323	119,828
Net foreign exchange loss/(gain)	(2,973)	1,238
Bank charges	18,259	18,728
	<u>208,969</u>	<u>217,416</u>

## Notes (continued)

### 7 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

##### Analysis of charge in year

	2015 £	2014 £
<i>Current tax</i>		
Current tax on income for the period	(24,131)	121,387
Adjustments in respect of prior periods	27,266	(1,880)
	<hr/>	<hr/>
Total current tax	3,135	119,507
<i>Deferred tax</i>		
Origination and reversal of timing differences	86,971	212,783
Adjustments in respect of prior periods	3,331	(2,239)
Change in tax rate	-	-
	<hr/>	<hr/>
Total deferred tax	90,302	210,544
	<hr/>	<hr/>
Total tax	93,437	330,051
	<hr/>	<hr/>

	2015			2014		
	£	£	£	£	£	£
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	3,135	90,302	93,437	119,507	210,544	330,051
Recognised in other comprehensive income	-	720	720	-	(43,600)	(43,600)
Recognised directly in equity	-	(16,080)	(16,080)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	3,135	74,942	78,077	119,507	166,944	286,451
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All current tax recognised in profit and loss relates to UK corporation tax.

## Notes (continued)

### 7 Taxation (continued)

#### Reconciliation of effective tax rate

	2015 £	2014 £
Profit for the year	211,377	994,904
Total tax expense	93,437	330,051
Profit excluding taxation	304,814	1,324,955
Current tax at 20.25%	61,725	284,866
<i>Effects of:</i>		
Non-deductible expenses	44,431	65,263
Other timing differences	(32)	456
Prior year adjustment	26,370	(1,880)
Under / (over) provided in prior years	(39,057)	(18,654)
Total tax charge	93,437	330,051

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2015 has been calculated based on these rates.

### 8 Intangible fixed assets

	Patents and licenses £	Goodwill £	Total £
<i>Cost</i>			
At 31 December 2014 and at December 2015	-	3,013,575	3,013,575
<i>Amortisation</i>			
At 31 December 2014	-	2,529,276	2,529,276
Charge for the period	-	161,340	161,340
At 31 December 2015	-	2,690,616	2,690,616
<i>Net book value</i>			
At 31 December 2015	-	322,959	322,959
At 31 December 2014	-	484,299	484,299

**Notes (continued)**

**9 Tangible fixed assets**

	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Assets under construction £	Total £
<b>Cost</b>						
At 31 December 2014	848,576	10,019,800	26,424	617,829	1,093,052	12,605,681
Additions	53,369	662,938	3,510	16,270	362,751	1,098,837
Transfers	44,513	992,416	37,965	18,158	(1,093,052)	-
Disposals	-	-	-	-	-	-
At 31 December 2015	946,458	11,675,154	67,899	652,257	362,751	13,704,518
<b>Depreciation</b>						
At 31 December 2014	528,672	7,107,404	23,305	598,747	-	8,258,128
Charge for the period	51,070	924,077	7,952	24,329	-	1,007,428
Disposals	-	-	-	-	-	-
At 31 December 2015	579,742	8,031,481	31,257	623,076	-	9,265,556
<b>Net book value</b>						
At 31 December 2015	366,716	3,643,673	36,642	29,181	362,751	4,438,963
At 31 December 2014	319,904	2,907,198	8,317	19,082	1,093,052	4,347,553

**10 Stocks**

	2015 £	2014 £
Raw materials and consumables	1,627,044	1,301,839
Work in progress	438,860	402,380
Finished goods	723,547	844,145
	<u>2,789,450</u>	<u>2,548,364</u>

## Notes (continued)

### 11 Debtors

	2015 £	2014 £
Trade debtors	1,374,183	1,080,673
Amounts owed by group undertakings – trade debtors	143,636	227,896
Amounts owed by group undertakings – less than 1 year	6,791,375	8,029,365
Other debtors	257,693	429,217
Corporation Tax Refundable	106,976	
Prepayments and accrued income	187,022	160,323
Deferred tax asset (note 14)	71,100	160,800
	<u>8,931,985</u>	<u>10,088,274</u>

### 12 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	3,802,922	4,310,313
Amounts owed to group undertakings	743,391	679,951
Taxation and social security	82,065	80,115
Other creditors	367,469	409,782
Accruals and deferred income	257,942	272,888
Corporation tax payable	-	36,918
	<u>5,253,789</u>	<u>5,789,967</u>

## Notes (continued)

### 13 Provisions for liabilities and charges

	Deferred tax £
Provisions at 31 December 2014	140,521
Movement in the period	17,550
<b>Provisions at 31 December 2015</b>	<b>158,071</b>

### 14 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets 2015 £	2014 £	Liabilities 2015 £	2014 £	Net 2015 £	2014 £
Accelerated capital allowances	-	-	(160,115)	(142,824)	(160,115)	(142,824)
Employee benefits	71,100	160,800	-	-	71,100	160,800
Short term timings differences	-	-	2,044	2,303	2,044	2,303
<b>Tax (assets)/liabilities</b>	<b>71,100</b>	<b>160,800</b>	<b>(158,071)</b>	<b>(140,521)</b>	<b>(86,971)</b>	<b>20,279</b>
<b>Net tax assets</b>						

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £nil (2014: £nil).



**Notes** *(continued)*

**15 Called up share capital**

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	6,662,787	6,662,787
	<u>6,662,787</u>	<u>6,662,787</u>

**16 Commitments**

Total commitments under non-cancellable operating leases are as follows:

	2015 £	2014 £
Operating leases which expire:		
Within one year	42,503	29,607
In the second to fifth years inclusive	119,779	145,917
Over five years	-	16,365
	<u>162,282</u>	<u>191,889</u>

There were £74,061 capital commitments as at the year end (2014: £646,322).

## Notes (continued)

### 17 Employee benefits

The Company operates a defined benefit pension scheme which is subject to triennial valuations. The last full valuation was carried out on 31 December 2013. The latest full valuation was adopted for FRS102 purposes to 31 December 2015 by a qualified independent actuary.

The scheme was closed to future accrual on 30 June 2010.

The company has made contributions of £435,000 (2014: £435,000) during the year to the pension scheme, in line with a deficit reduction plan.

#### *Net pension liability*

	2015 £000	2014 £000
Plan assets	17,459	17,559
Defined benefit obligation	(17,854)	(18,363)
Net pension liability	(395)	(804)

#### *Movements in fair value of plan assets*

	2015 £000	2014 £000
At beginning of year	17,559	15,529
Expected return on plan assets-Interest Income	640	996
Actuarial gains/(losses)	(594)	1,051
Contributions by employer	435	435
Benefits paid	(581)	(452)
At end of year	17,459	17,559

#### *Movements in present value of defined benefit obligation*

	2015 £000	2014 £000
At beginning of year	18,363	16,809
Interest cost	662	737
Actuarial losses	(590)	1,269
Benefits paid	(581)	(452)
At end of year	17,854	18,363

#### *Expense recognised in the profit and loss account*

	2015 £'000	2014 £'000
Interest on defined benefit pension plan obligation	662	737
Expected return on defined benefit pension plan assets	(640)	(996)
Total	22	259

## Notes (continued)

### 17 Employee benefits

The fair values of the plan assets and the return on those assets were as follows:

	2015		2014
Expected long-term return on assets	Value £000	Expected long-term return on assets	Value £000
Cash	126	0.5 % pa	105
APS Matching Fund	2,910	4.40% pa	4,305
Diversified Growth	14,423	7.00% pa	13,149
Total market value of assets	17,459		17,559

The valuation at 31 December 2013 has been updated by the actuary on an FRS102 basis as at 31 December 2015. The main assumptions used in this valuation were as follows:

	2015	2014
Discount rate	3.85%	3.65%
Inflation rate	3.15%	3.10%
Pensions increase	3.0%	2.9%
Expected return on plan assets	N/A	N/A
Salary increases	N/A	N/A

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

In valuing the liabilities of the pension fund at £17,854k, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 19.9 years (male), 22.8 years (female).
- Future retiree upon reaching 65: 21.7 years (male), 24.6 years (female).

## **Notes** *(continued)*

### **18 Related party transaction**

As a wholly owned subsidiary of Metaldyne GmbH, the Company has taken advantage of the exemptions contained in Financial Reporting Standard 8 – Related Party Disclosures and has not disclosed transactions with other group companies.

### **19 Ultimate parent undertaking**

The immediate parent undertaking of the Company is Metaldyne GmbH, a company registered in Germany.

The Company's ultimate parent is Metaldyne Performance Group Inc., a publically traded company registered in the United States of America.

### **20 Explanation of transition to FRS 102 from old UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the period ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

## Notes (continued)

### 20 Explanation of transition to FRS 102 from old UK GAAP (continued)

#### Reconciliation of equity

			31 December 2014	
			Effect of	
			transition to	
	Note	UK GAAP	FRS 102	FRS 102
		£000	£000	£000
<b>Fixed assets</b>				
Intangible assets		484,299	-	484,299
Tangible fixed assets		4,347,553	-	4,347,553
		<u>4,831,852</u>	<u>-</u>	<u>4,831,852</u>
<b>Current assets</b>				
Stocks		2,548,364	-	2,548,364
Debtors	a	9,927,474	160,800	10,088,274
Cash at bank and in hand		1,256,586	-	1,256,586
		<u>13,732,424</u>	<u>160,800</u>	<u>13,893,224</u>
<b>Creditors: amounts due within one year</b>		<u>(5,789,967)</u>	<u>-</u>	<u>(5,789,967)</u>
<b>Net current assets</b>		<u>7,942,457</u>	<u>160,800</u>	<u>8,103,257</u>
<b>Creditors: amounts falling due after more than one year</b>		-	-	-
<b>Provisions for liabilities</b>				
Deferred tax liability	a	(140,521)	-	(140,521)
Pension liability	a	(643,200)	(160,800)	(804,000)
		<u>(783,721)</u>	<u>(160,800)</u>	<u>(944,521)</u>
<b>Net assets</b>		<u>11,990,588</u>	<u>-</u>	<u>11,990,588</u>
<b>Capital and reserves</b>				
Called up share capital		6,662,787	-	6,662,787
Share premium account		999,205	-	999,205
Profit and loss account		4,328,596	-	4,328,596
<b>Shareholders' equity</b>		<u>11,990,588</u>	<u>-</u>	<u>11,990,588</u>

#### Notes to the reconciliation of equity

- a) The deferred tax asset arising on the defined benefit pension liability has been recognised within the deferred tax balance, as opposed to being presented net within the pension liability.